



## PMC Community Connection

Location: 1600 W. Monroe Phoenix, Arizona 85007 – WebEx Connection

Date: Friday, January 10th, 2025

Time: 12:00pm – 1:00pm

Attendee: Lorelei McClure - Education & Training Programs Manager – Education & Outreach

Matt Harris – Tax Education Trainer – Education & Outreach

Adrienne Sloat - Assistant Director - Taxpayer Services

Audrey Macghee - Tax Policy Manager - Taxpayer Services

Stephaine Jones - Licensing Specialist - Taxpayer Services

### Agenda Items

1.	Welcome & Introduction
2.	Changes to Residential Rental Taxation
3.	Frequently Asked Questions
4.	Questions & Answers
4.	Available Resources <ul style="list-style-type: none"><li>● <a href="#">Property Management Companies Resource Page</a></li><li>● <a href="#">Residential Rental Guidelines Page</a></li><li>● <a href="#">Power of Attorney (POA)/ Disclosure Form 285-PMC</a></li><li>● Additional Questions? Email us at: EducationUnit@azdor.gov</li></ul>

## **Residential Rental Tax Changes**

Starting *January 1, 2025*, residential rental property owners should no longer collect and remit any city transaction privilege tax (TPT) on the income derived from long-term lodging stays of 30 days or more to ADOR. ([Laws 2023, Chapter 204](#) and [A.R.S. § 42-6004 \(H\)](#)).

- This applies to licensees that are registered and have filed using business code 045 - business classification of residential rental.
- Residential rental is the rental of real property for a period of **30 or more consecutive days** for residential (i.e. noncommercial) purposes only.
- There is **no** state or county tax imposed on residential rentals.
- Starting January 1, 2025, there will be **no** city TPT.
- Property owners must still register the property with the county assessor to comply with landlord tenant laws and other compliance requirements from government entities.

For tax periods **before** January 1, 2025:

1. You must still comply with filing and payment requirements, and
2. These periods remain subject to audit as allowed by statute.

*Please note: Hotel, motel, or other transient lodging businesses that book stays for fewer than 30 days must still collect and remit TPT under the transient lodging or hotel classification.*

ADOR will not renew TPT licenses for taxpayers that are only registered and filing returns for residential rental. If a licensee is not engaged in any other business activity and is only using business code 045 (rental of residential real property for a period of 30 or more consecutive days), no further action or steps need to be taken to cancel your license the Department will be canceling the licenses on your behalf.

- *Be aware that cancellation of the license will not exempt the licensee from previous tax liabilities or taxes related to periods before January 1, 2025. If liabilities are unpaid, enforcement actions may be taken.*

## **Expiration of the Residential Rental Tax FAQs**

- **How will I file under residential rental for periods prior to January 1, 2025 if the business code is obsolete?**
  - Taxpayers will not be able to select the residential rental classification when filing their TPT return for periods *after* December 2024, but the business code will be available when filing for *prior periods*.
  
- **I have bookings that are less than 30 days. Will this residential rental change impact my license or filing?**
  - Hotel, motel, or other transient lodging businesses that book stays for fewer than 30 days must still collect and remit transaction privilege tax under the transient lodging or hotel classification.
  
- **What do I do to prepare for the residential rental tax change?**
  - To prepare for January 1, 2025, accurately keep transaction and rental records to distinguish income subject to the following tax classifications: Residential Rental, Leasing, & Licensing for Use (045), Hotels (044), Hotel/Motel (Additional Tax) (144), Transient Lodging (025), and Commercial Rental, Leasing, & Licensing for Use (213).
  - If a licensee is only using business code 045 and not engaged in any other business activity, the license will be canceled by ADOR. Please also file any missing tax returns and pay outstanding tax liabilities for prior tax periods. Canceling the license does not exempt the licensee from previous tax liabilities or taxes that have not been reported. If liabilities are unpaid, enforcement actions may be taken. Please visit [TPT Tutorials](#) on [azdor.gov](http://azdor.gov) for more information.
  
- **Will I need to renew my license for 2025 if I only operated residential rentals?**
  - If you rent real property for a period of 30 or more consecutive days for residential purposes only and not commercial, you do not need to renew your license. For 2025, ADOR will not renew licenses for taxpayers that are only registered and file returns for residential rental.



- **I am only filing under business code 045, residential rental, what do I do with my license?**
  - ADOR is canceling licenses that only use business code 045 and are not engaged in any other business activity. Be aware that cancellation of the license will not exempt you from previous tax liabilities or taxes that have not been reported. If liabilities are unpaid, enforcement actions may be taken.
  
- **I file under business code 045 residential rental AND other business codes, what do I do with my license?**
  - If you are engaged in other business activities along with using business code 045 on the same license, ADOR is removing the location(s) associated with business code 045. Please ensure the locations and business code are removed when filing your first 2025 TPT return.
  - Please also file any missing tax returns and pay outstanding tax liabilities for prior tax periods.
  - Canceling the license will not exempt the licensee from previous tax liabilities or taxes that have not been reported. If liabilities are unpaid, enforcement actions may be taken.

## **PMC Resources:**

- PMC Resource Page:  
<https://azdor.gov/business/transaction-privilege-tax/residential-rental-guidelines/property-management-companies-pmc>
  
- Residential Rental Guidelines Page:  
<https://azdor.gov/business/transaction-privilege-tax/residential-rental-guidelines>
  
- Form 285-PMC:  
<https://azdor.gov/forms/poa-and-disclosure-forms/residential-rental-property-dis-closureauthorization-form>



## Open Session Q&A

1. Are rental application fees taxable?
  - a. Yes, the rental application fees are part of the rental, and these will be part of your gross receipts.
  
2. Hypothetical scenario: Taxpayer is a tenant, and in November they paid for an annual lease, which will run from November 1st, 2024 until November 1st, 2025. They were charged tax for the entire year, despite the changes to Residential Rental (045) which started on January 1st, 2025.
  - a. They have been advised that the property management company needs to file an amended return for the 10 months that they have paid the tax on because for 10 months out of that lease, it is not taxable.

The PMC is allowed to file an amended return for up to 4 years from the date the return was originally filed.

3. Hypothetical scenario 2: Taxpayer owns an RV park, and they only rent for the season at a minimum of 4 months or longer. The taxpayer will not be liable for TPT if rentals are for 30 or more consecutive days. However, the taxpayer will be liable for TPT if they rent for anything less than 30 days.

If a situation arises where a client books week by week, non-consecutively, this will count as hotel/motel (at the city/town level) and transient lodging (at the state level) and the taxpayer will then be liable for TPT.

The taxpayer needs to be aware of how they engage in business with their customers. As always, 30 consecutive days or more will be exempt from TPT, as that would fall under long term residential rental (045). But, for anything less than 30 days consecutively, TPT will be required.