



# HOUSE OF REPRESENTATIVES

HB 2254

municipal tax exemption; residential lease

Sponsor: Representative Mitchell

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**DP** Committee on Ways and Means

**X** Caucus and COW

House Engrossed

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## OVERVIEW

HB 2254 restricts a city, town or other taxing jurisdiction from imposing a tax or fee on the business of renting or leasing real property for residential purposes.

## HISTORY

Transaction Privilege Tax (TPT) is imposed on a vendor for the privilege of conducting business in Arizona. Under this tax, the seller is responsible for remitting to the state the entire amount of tax due based on the gross proceeds or gross income of the business. While the tax is commonly passed on to the consumer at the point of sale, it is ultimately the seller's responsibility to remit the tax. Business activities subject to TPT include, but are not limited to: retail, restaurants and bars, transient lodging (hotel/motel), commercial leasing, advertising, amusements, personal property rentals, real property rentals, construction contracting, owner/builders, manufactured building, severance (mining, timbering), transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines. Arizona Revised Statutes § 42-6004 outlines various items and services that are exempt from municipal TPT.

## PROVISIONS

1. Restricts a city, town or other taxing jurisdiction from imposing TPT, Sales, Use, Franchise or a similar tax or fee on the business of renting or leasing real property for residential purposes.
2. Stipulates that a city, town or other taxing jurisdiction that impose a tax or fee as of January 1, 2015 must:
  - a) not increase rates.
  - b) annually reduce the rate by 25% for four consecutive years beginning July 1, 2016 and each July 1, thereafter.
3. Requires a city, town or other taxing jurisdiction, beginning July 1, 2019, to repeal any tax or fee on the business of renting or leasing real property for residential purposes.
4. Defines *real property for residential purposes*.
5. Applies retroactively from and after December 31, 2014.
6. Makes technical and conforming changes.