

REFERENCE TITLE: short-term rentals; property classification

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HB 2321

Introduced by
Representative Kavanagh

AN ACT

AMENDING SECTIONS 33-1901, 33-1902, 42-11054, 42-12001 AND 42-12004,
ARIZONA REVISED STATUTES; RELATING TO PROPERTY CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 33-1901, Arizona Revised Statutes, is amended to
3 read:

4 33-1901. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Managing agent" means a person, corporation, partnership or
7 limited liability company that is authorized by the owner to operate and
8 manage the property.

9 2. "Residential rental property" means property that is used ~~sotely~~
10 PRIMARILY as leased or rented property for residential purposes. If the
11 property is a space rental mobile home park, residential rental property
12 includes the rental space that is leased or rented by the owner of that
13 rental space but does not include the mobile home or recreational vehicle
14 that serves as the actual dwelling if the dwelling is owned and occupied
15 by the tenant of the rental space and not by the owner of the rental
16 space.

17 3. "Slum property" means residential rental property that has
18 deteriorated or is in a state of disrepair and that manifests one or more
19 of the following conditions that are a danger to the health or safety of
20 the public:

21 (a) Structurally unsound exterior surfaces, roof, walls, doors,
22 floors, stairwells, porches or railings.

23 (b) Lack of potable water, adequate sanitation facilities, adequate
24 water or waste pipe connections.

25 (c) Hazardous electrical systems or gas connections.

26 (d) Lack of safe, rapid egress.

27 (e) Accumulation of human or animal waste, medical or biological
28 waste, gaseous or combustible materials, dangerous or corrosive liquids,
29 flammable or explosive materials or drug paraphernalia.

30 Sec. 2. Section 33-1902, Arizona Revised Statutes, is amended to
31 read:

32 33-1902. Residential rental property; recording with the
33 assessor; agent designation; civil penalty; fee

34 A. An owner of residential rental property shall maintain with the
35 assessor in the county where the property is located information required
36 by this section in a manner to be determined by the assessor. The owner
37 shall update any information required by this section within ten days
38 after a change in the information occurs. The following information shall
39 be maintained:

40 1. The name, address and telephone number of the property owner.

41 2. If the property is owned by a corporation, limited liability
42 company, partnership, limited partnership, trust or real estate investment
43 trust, the name, address and telephone number of any of the following:

44 (a) For a corporation, a corporate officer.

45 (b) For a partnership, a general partner.

1 (c) For a limited liability company, the managing or administrative
2 member.

3 (d) For a limited partnership, a general partner.

4 (e) For a trust, a trustee.

5 (f) For a real estate investment trust, a general partner or an
6 officer.

7 3. The street address and parcel number of the property.

8 4. The year the building was built.

9 5. IF THE PROPERTY IS RENTED FOR PERIODS OF LESS THAN THIRTY DAYS.

10 B. An owner of residential rental property who lives outside this
11 state shall designate and record with the assessor a statutory agent who
12 lives in this state and who will accept legal service on behalf of the
13 owner. The owner shall designate the agent in a manner to be determined
14 by the assessor. The information shall include the name, address and
15 telephone number of the agent.

16 C. Residential rental property shall not be occupied if the
17 information required by this section is not on file with the county
18 assessor. If the owner has not filed the information required by this
19 section with the county assessor and the residential rental property is
20 occupied by a tenant and the tenant chooses to terminate the tenancy, the
21 tenant shall deliver to the landlord, owner or managing agent of the
22 property a written ten day notice to comply with this section. The notice
23 shall be delivered by certified mail, return receipt requested, or by hand
24 delivery. If the owner does not comply with this section within ten days
25 after receipt of the notice, the tenant may terminate the rental agreement
26 and the landlord shall return all prepaid rent to the tenant. Security
27 deposits shall be returned in accordance with section 33-1321,
28 subsection D. The landlord shall return those monies by certified mail,
29 return receipt requested, or by hand delivery to the tenant within ten
30 days after ~~the termination of~~ TERMINATING the rental agreement. This
31 subsection applies to any existing lease and to any new lease after August
32 25, 2004. Notwithstanding this subsection, an owner is in compliance with
33 this subsection only if the owner had filed the information required by
34 subsection A of this section with the county assessor.

35 D. All records, files and documents that are required by this
36 section are public records.

37 E. For residential rental property that is acquired by an owner
38 after the date of the notice of assessed valuation and the notice
39 prescribed by section 42-15103 and until the issuance of the next notice
40 of assessed valuation, a city or town shall assess a civil penalty of ~~one~~
41 ~~thousand dollars~~ \$1,000 against a person who fails to comply with this
42 section, plus an additional ~~one hundred dollars~~ \$100 for each month after
43 the date of the original violation until compliance occurs. The court
44 shall not suspend any portion of the civil penalty provided by this
45 subsection.

1 F. Notwithstanding subsection E of this section, if a person
2 complies within ten days after receiving the complaint that notices the
3 violation, the court shall dismiss the complaint and shall not impose a
4 civil penalty.

5 G. Except for newly acquired residential rental property as
6 prescribed by subsection E of this section, if a residential rental
7 property owner fails to register with the county assessor as prescribed by
8 this section, the city or town may impose a civil penalty in the amount of
9 ~~one hundred fifty dollars per day~~ \$150 for each day of violation after the
10 date of the most recent notice of assessed valuation and the notice
11 prescribed by section 42-15103. If a person complies within ten days
12 after receiving the notice from the county assessor, the court shall
13 dismiss the complaint and shall not impose a civil penalty.

14 H. In carrying out this section, the county assessor shall have
15 immunity as provided in section 12-820.01.

16 I. The county assessor may assess a fee of not more than ~~ten~~
17 ~~dollars~~ \$10 for each initial registration and each change of information
18 in the registry.

19 J. On request from a city or town, the county assessor shall
20 provide the most current list of all registered rental property owners
21 within the city's or town's boundaries.

22 Sec. 3. Section 42-11054, Arizona Revised Statutes, is amended to
23 read:

24 42-11054. Standard appraisal methods and techniques

25 A. Subject to subsection B of this section, the department shall:

26 1. Prescribe guidelines for applying standard appraisal methods and
27 techniques, INCLUDING GUIDELINES FOR A PROPERTY WITH MULTIPLE USES, that
28 shall be used by the department and county assessors in determining the
29 valuation of property.

30 2. Prepare and maintain manuals and other necessary guidelines,
31 consistent with this section, reflecting the standard methods and
32 techniques to perpetuate a current inventory of taxable property and the
33 valuation of that property.

34 B. Before they are adopted, the department shall submit each
35 substantive proposed guideline, table and manual that is developed,
36 amended or otherwise modified from and after December 31, 2006 to the
37 joint legislative oversight committee on property tax assessment and
38 appeals. The department shall not finally adopt, amend or otherwise
39 modify a substantive guideline, table or manual for at least thirty days
40 after submitting the measure to the committee. The committee may hold one
41 or more informational hearings on the proposed measure within thirty days
42 after submission. In adopting, amending or modifying the measure the
43 department shall consider the committee's comments. If the committee
44 fails to hold a hearing within thirty days after submission, the

1 department may adopt, amend or modify the measure without further
2 consideration.

3 C. In applying prescribed standard appraisal methods and
4 techniques:

5 1. Current usage shall be included in the formula for reaching a
6 determination of full cash value.

7 2. Solar energy devices, as defined in section 44-1761, grid-tied
8 photovoltaic systems and any other device or system designed to produce
9 solar energy primarily for on-site consumption are considered to add no
10 value to the property on which such a device or system is installed.

11 3. If characterized as personal property, subject to any applicable
12 constitutional exemption from taxation, solar energy devices, as defined
13 in section 44-1761, grid-tied photovoltaic systems and any other device or
14 system designed to produce solar energy primarily for on-site consumption
15 shall be valued as provided in section 42-13056.

16 4. Energy efficient building components, renewable energy equipment
17 and combined heat and power systems are considered to add no value to the
18 property, ~~if~~ if the property owner provides the county assessor with
19 documentation of all elements that qualify pursuant to this paragraph,
20 including documents showing actual acquisition and installation costs.
21 The documentation must be submitted to the county assessor not later than
22 six months before the notice of full cash value is issued for the initial
23 evaluation year pursuant to section 42-15101 or, if the component is added
24 after September 30 of the preceding year, not later than March 31 of the
25 initial valuation year. For the purposes of this paragraph:

26 (a) "Combined heat and power system" means a system that generates
27 electricity or mechanical power and useful thermal energy in a single,
28 integrated system ~~such~~ ^{SO} that the useful power output of the facility
29 plus one-half the useful thermal output during any twelve-month period is
30 not less than 42.5 percent of the total energy input of fuel to the
31 facility.

32 (b) "Energy efficient building components" means high performance
33 sustainable building components installed so that the buildings or
34 building components meet or exceed the energy efficiencies prescribed by
35 the United States environmental protection agency energy star program or
36 by a leadership in energy and environmental design green building rating
37 standard developed by the United States green building council, or an
38 equivalent green building standard, or that are at least fifteen percent
39 more energy efficient than the international energy conservation code in
40 effect at the time of building permit issuance.

41 (c) "Renewable energy equipment" means equipment that is used to
42 produce energy primarily for on-site consumption from renewable resources,
43 including wind, forest thinnings, agricultural waste, biogas, biomass,
44 geothermal, low-impact hydropower and solar energy not included under
45 paragraph 2 of this subsection.

1 D. If the methods and techniques prescribe using market data as an
2 indication of market value, the price paid for future anticipated property
3 value increments shall be excluded.

4 E. For the purposes of determining full cash value, the department
5 and county assessors shall use and apply the ratio standard guidelines
6 issued by the department for tax year 1993 in the same manner as they were
7 applied in tax year 1993. This subsection does not apply to property that
8 is valued according to prescribed statutory methods or to property for
9 which values are determined in the year after an appeal pursuant to
10 section 42-16002.

11 Sec. 4. Section 42-12001, Arizona Revised Statutes, is amended to
12 read:

13 42-12001. Class one property

14 For THE purposes of taxation, class one is established consisting of
15 the following subclasses:

16 1. Producing mines and mining claims, personal property used on
17 mines and mining claims, improvements to mines and mining claims and mills
18 and smelters operated in conjunction with mines and mining claims that are
19 valued at full cash value pursuant to section 42-14053.

20 2. Standing timber that is valued at full cash value.

21 3. Real and personal property of gas distribution companies,
22 electric transmission companies, electric distribution companies,
23 combination gas and electric transmission and distribution companies, and
24 companies engaged in ~~the generation of~~ GENERATING electricity that are
25 valued at full cash value pursuant to section 42-14151.

26 4. Real and personal property of airport fuel delivery companies
27 that are valued pursuant to section 42-14503.

28 5. Real and personal property that is used by producing oil, gas
29 and geothermal resource interests that are valued at full cash value
30 pursuant to section 42-14102.

31 6. Real and personal property of water, sewer and wastewater
32 utility companies that are valued at full cash value pursuant to section
33 42-14151.

34 7. Real and personal property of pipeline companies that are valued
35 at full cash value pursuant to section 42-14201.

36 8. Real and personal property of shopping centers that are valued
37 at full cash value or pursuant to chapter 13, article 5 of this title, as
38 applicable, other than property that is included in class nine.

39 9. Real and personal property of golf courses that are valued at
40 full cash value or pursuant to chapter 13, article 4 of this title.

41 10. All property, both real and personal, of manufacturers,
42 assemblers or fabricators, other than property that is specifically
43 included in another class described in this article, that is valued under
44 this title.

11. Real and personal property that is used in communications transmission facilities and that provides public telephone or telecommunications exchange or interexchange access for compensation to effect two-way communication to, from, through or within this state.

12. Real property and improvements that are devoted to any other commercial or industrial use, other than property that is specifically included in another class described in this article, and that are valued at full cash value.

13. Personal property that is devoted to any other commercial or industrial use, other than property that is specifically included in another class described in this article, and that is valued at full cash value.

14. Real and personal property of electric cooperatives that are valued at full cash value pursuant to section 42-14159.

15. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE RENTED TO LODGERS FOR PERIODS OF LESS THAN THIRTY DAYS FOR A TOTAL OF MORE THAN ONE HUNDRED TWENTY DAYS IN A CALENDAR YEAR AND THAT ARE VALUED AT FULL CASH VALUE, EXCEPT:

(a) PROPERTY THAT IS OCCUPIED BY THE OWNER OF THE PROPERTY AS THE OWNER'S PRIMARY RESIDENCE AND THAT IS INCLUDED IN CLASS THREE.

(b) PROPERTY THAT THE OWNER OF THE PROPERTY ATTESTS TO THE COUNTY ASSESSOR THAT THE OWNER OCCUPIES FOR AT LEAST SIXTY DAYS IN A CALENDAR YEAR. IF THE OWNER OF THE PROPERTY WILL NO LONGER MEET THE SIXTY-DAY OCCUPANCY REQUIREMENT, THE OWNER OF THE PROPERTY SHALL NOTIFY THE COUNTY ASSESSOR.

(c) PROPERTY FOR RESIDENTIAL PURPOSES THAT IS RENTED AND THAT IS INCLUDED IN CLASS FOUR.

Sec. 5. Section 42-12004, Arizona Revised Statutes, is amended to read:

42-12004. Class four property

A. For THE purposes of taxation, class four is established consisting of:

1. Real and personal property and improvements to the property that are used for residential purposes, including residential property that is owned in foreclosure by a financial institution, that is not otherwise included in another classification and that is valued at full cash value. The homesite that is included in class four may include:

(a) Up to ten acres on a single parcel of real property on which the residential improvement is located.

(b) More than ten, but not more than forty, acres on a single parcel of real property on which the residential improvement is located if it is zoned exclusively for residential purposes or contains legal restrictions or physical conditions that prevent the division of the parcel. For the purposes of this subdivision, "physical conditions" means

1 topography, mountains, washes, rivers, roads or any other configuration
2 that limits the residential usable land area.

3 2. Real and personal property and improvements to the property that
4 are used solely as leased or rented property for residential purposes,
5 that are not included in class one, two, three, six, seven or eight and
6 that are valued at full cash value.

7 3. Child care facilities that are licensed under title 36, chapter
8 7.1 and that are valued at full cash value.

9 4. Real and personal property and improvements to property that are
10 used to operate nonprofit residential housing facilities that are
11 structured to house or care for persons with disabilities or who are **AT**
12 **LEAST** sixty-two years of age ~~or older~~ and that are valued at full cash
13 value.

14 5. Real and personal property and improvements that are used to
15 operate licensed residential care institutions or licensed nursing care
16 institutions that provide medical services, nursing services or ~~health~~
17 ~~related~~ **HEALTH-RELATED** services and that are structured to house or care
18 for persons with disabilities or who are **AT LEAST** sixty-two years of age
19 ~~or older~~ and that are valued at full cash value.

20 6. Real and personal property consisting of ~~no~~ **NOT** more than eight
21 rooms of residential property that are leased or rented to transient
22 lodgers, together with furnishing ~~no~~ **NOT** more than a breakfast meal, by
23 the owner who resides on the property and that is valued at full cash
24 value.

25 7. Real and personal property ~~consisting~~ **THAT CONSISTS** of
26 residential dwellings that are maintained for occupancy by agricultural
27 employees as a condition of employment or as a convenience to the
28 employer, that is not included in class three and that is valued at full
29 cash value. The land associated with these dwellings shall be valued as
30 agricultural land pursuant to chapter 13, article 3 of this title.

31 8. Real property and improvements to property constituting common
32 areas that are valued pursuant to chapter 13, article 9 of this title.

33 9. Real and personal property that is defined as timeshare property
34 by section 32-2197 and valued pursuant to chapter 13, article 10 of this
35 title, except for any property used for commercial, industrial or
36 transient occupancy purposes and included in class one to the extent of
37 that use.

38 10. Real and personal property and improvements that are used for
39 residential purposes and that are ~~leased or~~ rented to lodgers **FOR PERIODS**
40 **OF LESS THAN THIRTY DAYS FOR EITHER A TOTAL OF ONE HUNDRED TWENTY DAYS OR**
41 **LESS IN A CALENDAR YEAR OR A TOTAL OF MORE THAN ONE HUNDRED TWENTY DAYS IN**
42 **A CALENDAR YEAR AND THE OWNER OF THE PROPERTY OCCUPIES THE PROPERTY FOR AT**
43 **LEAST SIXTY DAYS IN THAT CALENDAR YEAR**, except for:

44 (a) Property **THAT IS** occupied by the owner of the property as the
45 owner's primary residence and **THAT IS** included in class three.

1 (b) Property THAT IS used for commercial purposes and THAT IS
2 included in class one PURSUANT TO SECTION 42-12001, PARAGRAPH 15.

3 11. Low-income multifamily residential rental properties that are
4 valued pursuant to chapter 13, article 13 of this title.

5 B. Subsection A, paragraphs 4 and 5 of this section do not limit
6 eligibility for exemption from taxation under chapter 11, article 3 of
7 this title.

8 Sec. 6. Applicability

9 This act applies to tax years beginning from and after December 31,
10 2022.