

REFERENCE TITLE: vacation rentals; short-term rentals; enforcement

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SB 1168

Introduced by
Senator Mesnard: Representative Kaiser

AN ACT

AMENDING SECTIONS 9-500.39 AND 11-269.17, ARIZONA REVISED STATUTES;
REPEALING SECTION 42-1125.02, ARIZONA REVISED STATUTES; AMENDING SECTION
42-5042, ARIZONA REVISED STATUTES; RELATING TO VACATION RENTALS AND
SHORT-TERM RENTALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 9-500.39, Arizona Revised Statutes, is amended
3 to read:

4 9-500.39. Limits on regulation of vacation rentals and
5 short-term rentals; state preemption; civil
6 penalties; transaction privilege tax license
7 suspension; definitions

8 A. A city or town may not prohibit vacation rentals or short-term
9 rentals.

10 B. A city or town may not restrict the use of or regulate vacation
11 rentals or short-term rentals based on their classification, use or
12 occupancy except as provided in this section. A city or town may regulate
13 vacation rentals or short-term rentals ~~for the following purposes~~ AS
14 FOLLOWS:

15 1. ~~Protecting~~ TO PROTECT the public's health and safety, including
16 rules and regulations related to fire and building codes, health and
17 sanitation, transportation or traffic control, solid or hazardous waste
18 and pollution control, and designation of an emergency point of contact,
19 if the city or town demonstrates that the rule or regulation is for the
20 primary purpose of protecting the public's health and safety.

21 2. ~~Adopting~~ TO ADOPT and ~~enforcing residential use and zoning~~
22 ENFORCE ordinances, including ordinances related to noise, protection of
23 welfare, property maintenance and other nuisance issues, if the ordinance
24 is applied in the same manner as other property classified under sections
25 42-12003 and 42-12004.

26 3. ~~Limiting~~ TO LIMIT or ~~prohibiting~~ PROHIBIT the use of a vacation
27 rental or short-term rental for the purposes of housing sex offenders,
28 operating or maintaining a sober living home, selling illegal drugs,
29 liquor control or pornography, obscenity, nude or topless dancing and
30 other adult-oriented businesses.

31 4. ~~Requiring~~ TO REQUIRE the owner of a vacation rental or
32 short-term rental to provide the city or town with contact information for
33 the owner or the owner's designee who is responsible for responding to
34 complaints in a timely manner in person, over the phone or by email at any
35 time of day before offering for rent or renting the vacation rental or
36 short-term rental. IN ADDITION TO ANY OTHER PENALTY PURSUANT TO THIS
37 SECTION, THE CITY OR TOWN MAY IMPOSE A CIVIL PENALTY OF UP TO \$1,000
38 AGAINST THE OWNER FOR EVERY THIRTY DAYS THE OWNER FAILS TO PROVIDE CONTACT
39 INFORMATION AS PRESCRIBED BY THIS PARAGRAPH. THE CITY OR TOWN SHALL
40 PROVIDE THIRTY DAYS' NOTICE TO THE OWNER BEFORE IMPOSING THE INITIAL CIVIL
41 PENALTY.

42 5. TO REQUIRE THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL
43 TO MAINTAIN LIABILITY INSURANCE APPROPRIATE TO COVER THE VACATION RENTAL
44 OR SHORT-TERM RENTAL IN THE AGGREGATE OF AT LEAST \$500,000 OR TO ADVERTISE

1 AND OFFER EACH VACATION RENTAL OR SHORT-TERM RENTAL THROUGH AN ONLINE
2 LODGING MARKETPLACE THAT PROVIDES EQUAL OR GREATER COVERAGE.

3 ~~C. Within thirty days after a verified violation, a city or town~~
4 ~~shall notify the department of revenue and the owner of the vacation~~
5 ~~rental or short-term rental of the verified violation of the city's or~~
6 ~~town's applicable laws, regulations or ordinances and, if the owner of the~~
7 ~~vacation rental or short-term rental received the verified violation,~~
8 ~~whether the city or town imposed a civil penalty on the owner of the~~
9 ~~vacation rental or short-term rental and the amount of the civil penalty,~~
10 ~~if assessed. If multiple verified violations arise out of the same~~
11 ~~response to an incident at a vacation rental or short-term rental, those~~
12 ~~verified violations are considered one verified violation for the purpose~~
13 ~~of assessing civil penalties pursuant to section 42-1125.02, subsection B.~~

14 C. NOTWITHSTANDING ANY OTHER LAW, A CITY OR TOWN MAY IMPOSE A CIVIL
15 PENALTY OF THE FOLLOWING AMOUNTS AGAINST AN OWNER OF A VACATION RENTAL OR
16 SHORT-TERM RENTAL IF THE OWNER RECEIVES ONE OR MORE VERIFIED VIOLATIONS
17 RELATED TO THE SAME VACATION RENTAL OR SHORT-TERM RENTAL PROPERTY WITHIN
18 THE SAME TWELVE-MONTH PERIOD:

19 1. \$500 OR UP TO AN AMOUNT EQUAL TO ONE NIGHT'S RENT FOR THE
20 VACATION RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING
21 MARKETPLACE, WHICHEVER IS GREATER, FOR THE FIRST VERIFIED VIOLATION.

22 2. \$1,000 OR AN AMOUNT EQUAL TO TWO NIGHTS' RENT FOR THE VACATION
23 RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING
24 MARKETPLACE, WHICHEVER IS GREATER, FOR THE SECOND VERIFIED VIOLATION.

25 3. \$3,500 OR AN AMOUNT EQUAL TO THREE NIGHTS' RENT FOR THE VACATION
26 RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING
27 MARKETPLACE, WHICHEVER IS GREATER, FOR A THIRD AND ANY SUBSEQUENT VERIFIED
28 VIOLATION.

29 D. THE DEPARTMENT OF REVENUE, AFTER NOTICE AND A HEARING AS
30 PROVIDED IN SECTION 42-5005, SUBSECTION O, MAY SUSPEND FOR A PERIOD OF
31 TWELVE MONTHS THE TRANSACTION PRIVILEGE TAX LICENSE OF THE OWNER OF A
32 VACATION RENTAL OR SHORT-TERM RENTAL IF THE OWNER RECEIVES THREE VERIFIED
33 VIOLATIONS RELATED TO THE SAME VACATION RENTAL OR SHORT-TERM RENTAL WITHIN
34 THE SAME TWELVE-MONTH PERIOD.

35 E. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF THE SAME RESPONSE
36 TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM RENTAL, THOSE VERIFIED
37 VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION FOR THE PURPOSE OF
38 ASSESSING CIVIL PENALTIES PURSUANT TO THIS SECTION AND SUSPENDING THE
39 OWNER'S TRANSACTION PRIVILEGE TAX LICENSE PURSUANT TO SECTION 42-5042.

40 ~~D.~~ F. If the owner of a vacation rental or short-term rental has
41 provided contact information to a city or town pursuant to subsection B,
42 paragraph 4 of this section and if the city or town issues a citation for
43 a violation of the city's or town's applicable laws, regulations or
44 ordinances or a state law that occurred on the owner's vacation rental or
45 short-term rental property, the city or town shall make a reasonable

attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 of this section. If the owner of a vacation rental or short-term rental has not provided contact information pursuant to subsection B, paragraph 4 of this section, the city or town is not required to provide such notice.

~~F.~~ G. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.

~~F.~~ H. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a city or town ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.

~~G.~~ I. For the purposes of this section:

1. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.

~~I.~~ 2. "Transient" has the same meaning prescribed in section 42-5070.

~~E.~~ 3. "Vacation rental" or "short-term rental":

(a) Means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, ~~OR cooperative or timeshare,~~ that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. ~~Vacation rental and short-term rental do~~

(b) DOES not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

~~3.~~ 4. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or ~~F.~~ H of this section that has been finally adjudicated.

Sec. 2. Section 11-269.17, Arizona Revised Statutes, is amended to read:

11-269.17. Limits on regulation of vacation rentals and short-term rentals; state preemption; civil penalties; transaction privilege tax license suspension; definitions

A. A county may not prohibit vacation rentals or short-term rentals.

B. A county may not restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or occupancy except as provided in this section. A county may regulate

vacation rentals or short-term rentals ~~for the following purposes~~ AS
FOLLOWS:

1. ~~Protecting~~ TO PROTECT the public's health and safety, including rules and regulations related to fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control, and designation of an emergency point of contact, if the county demonstrates that the rule or regulation is for the primary purpose of protecting the public's health and safety.

2. ~~Adopting~~ TO ADOPT and ~~enforcing residential use and zoning~~ ENFORCE ordinances, including ordinances related to noise, protection of welfare, property maintenance and other nuisance issues, if the ordinance is applied in the same manner as other property classified under sections 42-12003 and 42-12004.

3. ~~Limiting~~ TO LIMIT or ~~prohibiting~~ PROHIBIT the use of a vacation rental or short-term rental for the purposes of housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.

4. ~~Requiring~~ TO REQUIRE the owner of a vacation rental or short-term rental to provide the county with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by email at any time of day before offering for rent or renting the vacation rental or short-term rental. IN ADDITION TO ANY OTHER PENALTY PURSUANT TO THIS SECTION, THE COUNTY MAY IMPOSE A CIVIL PENALTY OF UP TO \$1,000 AGAINST THE OWNER FOR EVERY THIRTY DAYS THE OWNER FAILS TO PROVIDE CONTACT INFORMATION AS PRESCRIBED BY THIS PARAGRAPH. THE COUNTY SHALL PROVIDE THIRTY DAYS' NOTICE TO THE OWNER BEFORE IMPOSING THE INITIAL CIVIL PENALTY.

5. TO REQUIRE THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO MAINTAIN LIABILITY INSURANCE APPROPRIATE TO COVER THE VACATION RENTAL OR SHORT-TERM RENTAL IN THE AGGREGATE OF AT LEAST \$500,000 OR TO ADVERTISE AND OFFER EACH VACATION RENTAL OR SHORT-TERM RENTAL THROUGH AN ONLINE LODGING MARKETPLACE THAT PROVIDES EQUAL OR GREATER COVERAGE.

~~C. Within thirty days after a verified violation, a county shall notify the department of revenue and the owner of the vacation rental or short-term rental of the verified violation of the county's applicable laws, regulations or ordinances and, if the property owner received the verified violation, whether the county imposed a civil penalty on the owner of the vacation rental or short-term rental and the amount of the civil penalty, if assessed. If multiple verified violations arise out of the same response to an incident at a vacation rental or short-term rental, those verified violations are considered one verified violation for the purpose of assessing civil penalties pursuant to section 42-1125.02, subsection B.~~

C. NOTWITHSTANDING ANY OTHER LAW, A CITY OR TOWN MAY IMPOSE A CIVIL PENALTY OF THE FOLLOWING AMOUNTS AGAINST AN OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL IF THE OWNER RECEIVES ONE OR MORE VERIFIED VIOLATIONS RELATED TO THE SAME VACATION RENTAL OR SHORT-TERM RENTAL PROPERTY WITHIN THE SAME TWELVE-MONTH PERIOD:

1. \$500 OR UP TO AN AMOUNT EQUAL TO ONE NIGHT'S RENT FOR THE VACATION RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING MARKETPLACE, WHICHEVER IS GREATER, FOR THE FIRST VERIFIED VIOLATION.

2. \$1,000 OR AN AMOUNT EQUAL TO TWO NIGHTS' RENT FOR THE VACATION RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING MARKETPLACE, WHICHEVER IS GREATER, FOR THE SECOND VERIFIED VIOLATION.

3. \$3,500 OR AN AMOUNT EQUAL TO THREE NIGHTS' RENT FOR THE VACATION RENTAL OR SHORT-TERM RENTAL AS ADVERTISED ON AN ONLINE LODGING MARKETPLACE, WHICHEVER IS GREATER, FOR A THIRD AND ANY SUBSEQUENT VERIFIED VIOLATION.

D. THE DEPARTMENT OF REVENUE, AFTER NOTICE AND A HEARING AS PROVIDED IN SECTION 42-5005, SUBSECTION O, MAY SUSPEND FOR A PERIOD OF TWELVE MONTHS THE TRANSACTION PRIVILEGE TAX LICENSE OF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL IF THE OWNER RECEIVES THREE VERIFIED VIOLATIONS RELATED TO THE SAME VACATION RENTAL OR SHORT-TERM RENTAL WITHIN THE SAME TWELVE-MONTH PERIOD.

E. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF THE SAME RESPONSE TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM RENTAL, THOSE VERIFIED VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION FOR THE PURPOSE OF ASSESSING CIVIL PENALTIES PURSUANT TO THIS SECTION AND SUSPENDING THE OWNER'S TRANSACTION PRIVILEGE TAX LICENSE PURSUANT TO SECTION 42-5042.

~~D.~~ F. If the owner of a vacation rental or short-term rental has provided contact information to a county pursuant to subsection B, paragraph 4 of this section and if the county issues a citation for a violation of the county's applicable laws, regulations or ordinances or a state law that occurred on the owner's vacation rental or short-term rental property, the county shall make a reasonable attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 of this section. If the owner of a vacation rental or short-term rental has not provided contact information pursuant to subsection B, paragraph 4 of this section, the county is not required to provide such notice.

~~E.~~ G. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.

~~F.~~ H. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a county ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.

~~G.~~ I. For the purposes of this section:

1. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.

~~F.~~ 2. "Transient" has the same meaning prescribed in section 42-5070.

~~E.~~ 3. "Vacation rental" or "short-term rental":

(a) Means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, ~~OR cooperative or timeshare,~~ that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. ~~Vacation rental and short-term rental do~~

(b) DOES not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

~~D.~~ 4. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or ~~F.~~ H of this section that has been finally adjudicated.

Sec. 3. Repeal

Section 42-1125.02, Arizona Revised Statutes, is repealed.

Sec. 4. Section 42-5042, Arizona Revised Statutes, is amended to read:

42-5042. Online lodging operators; requirements; civil penalty; definitions

A. An online lodging operator may not offer for rent or rent a lodging accommodation without a current transaction privilege tax license. The online lodging operator shall list the transaction privilege tax license number on each advertisement for each lodging accommodation the online lodging operator maintains, including online lodging marketplace postings. AN ONLINE LODGING OPERATOR THAT FAILS TO COMPLY WITH THIS SUBSECTION SHALL PAY A CIVIL PENALTY OF \$250 FOR A FIRST OFFENSE AND \$1,000 FOR A SECOND OR ANY SUBSEQUENT OFFENSE.

B. THE DEPARTMENT OF REVENUE, AFTER NOTICE AND A HEARING AS PROVIDED IN SECTION 42-5005, SUBSECTION O, MAY SUSPEND FOR A PERIOD OF TWELVE MONTHS AFTER THE DATE OF THE SUSPENSION THE TRANSACTION PRIVILEGE TAX LICENSE OF THE ONLINE LODGING OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL IF THE ONLINE LODGING OPERATOR RECEIVES THREE VERIFIED VIOLATIONS RELATED TO THE SAME VACATION RENTAL OR SHORT-TERM RENTAL WITHIN THE SAME TWELVE-MONTH PERIOD PURSUANT TO SECTION 9-500.39 OR 11-269.17.

1 ~~B.~~ C. For the purposes of this section:

2 1. "Lodging accommodation" has the same meaning prescribed in
3 section 42-5076.

4 2. "Online lodging marketplace" has the same meaning prescribed in
5 section 42-5076.

6 3. "Online lodging operator" has the same meaning prescribed in
7 section 42-5076 and includes an owner of a vacation rental or short-term
8 rental, ~~as defined in section 9-500.39 or 11-269.17,~~ that is not offered
9 through an online lodging marketplace.

10 4. "VACATION RENTAL" AND "SHORT-TERM RENTAL" HAVE THE SAME MEANINGS
11 PRESCRIBED IN SECTION 9-500.39 OR 11-269.17.

12 5. "VERIFIED VIOLATION" HAS THE SAME MEANING PRESCRIBED IN SECTION
13 9-500.39 OR 11-269.17.