



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
First Regular Session

Senate: GOV DPA/SE 4-2-1-0 | 3rd Read 16-14-0-0

House: GOV DPA/SE 5-4-0-0

SB 1131: ~~property rights; zoning ordinances; costs~~

NOW: Residential leases; municipal tax exemption

Sponsor: Senator Petersen, LD 14

House Engrossed

Overview

Prohibits municipalities and counties from levying municipal tax on the business of renting or leasing real property for residential purposes (Rentals) effective July 1, 2024.

History

Residential rental is the rental of real property for a period of 30 or more consecutive days for residential purposes only. Residential rental properties are currently subject to transaction privilege tax (TPT) and imposed when engaged in business under the residential rental classification by the [Model City Tax Code](#). Some cities, not all, opt to tax residential rental income under [Section 445](#) of the Model City Tax Code.

Provisions

1. Prohibits a county, city or town from levying a tax on Rentals. (Sec. 1, 2)
2. Requires a landlord affected by the elimination of TPT in a city or town that levies TPT on Rentals to no longer charge the tenant the amount of repealed TPT by October 1, 2024, and repeals this requirement effective January 1, 2027. (Sec. 4, 5)
3. Stipulates the landlord has the burden of proof that a challenged charge assessment or other amount is not attributable to any portion of a city's or town's TPT on a Rental in any civil action challenge. (Sec. 4)
4. Stipulates revenues collected from remote sellers must be accounted for separately when depositing TPT revenues into the GF. (Sec. 6)
5. Requires municipalities to use monies from remote seller revenues for public safety before any other municipal purpose. (Sec. 6)
6. Prohibits, as of October 1, 2024, a city, town or other taxing jurisdiction from levying a transaction privilege, sales, gross receipts, use, franchise or other similar tax on Rentals and repeals the statute that allows that taxation to occur on October 1, 2024. (Sec. 7, 8)
7. Exempts health care facilities, long-term care facilities, hotels or other transient lodging businesses. (Sec. 7)
8. Stipulates that the tax prohibitions apply regardless of whether the city or town has adopted the Model City Tax Code. (Sec. 7)
9. Removes the ability for cities or towns to fine or penalize a lessor for not paying TPT on residential rent. (Sec. 9)

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| <input type="checkbox"/> Prop 105 (45 votes) | <input type="checkbox"/> Prop 108 (40 votes) | <input type="checkbox"/> Emergency (40 votes) | <input checked="" type="checkbox"/> Fiscal Note |
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10. As session law, requires the Department of Revenue by October 1 2024 to electronically notify each residential rental TPT licensee that a city, town or other taxing jurisdiction will no longer levy TPT on Rentals after October 1, 2024 and outlines specifications for the notice. (Sec. 10)
11. Contains a legislative intent clause. (Sec. 11)
12. Contains an effective date of January 1, 2025. (Sec. 12)
13. Makes technical and conforming changes. (Sec. 1, 2, 3, 6, 7, 9)