



PMC Community Connection

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

Date: Friday, November 15, 2024

Time: 12:00pm – 1:00pm

Attendees Lorelei McClure – Education & Training Programs Manager – Education & Outreach
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Matt Harris – Tax Education Trainer – Education & Outreach
Heatherlyn Sullivan - Program Project Specialist - Taxpayer Services
Megan Hawker - STARS Functional Lead - Training
Travis Gallegos - Deputy Assistant Director - Processing
Cynthia Ramey - Deputy Assistant Director - 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">● Property Management Companies Resource Page● Residential Rental Guidelines Page● Power of Attorney (POA)/ Disclosure Form 285-PMC● Additional Questions? Email us at: EducationUnit@azdor.gov

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 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. If we are engaged in only business code 045, do we need to mark our December TPT return as final, or will that be unnecessary since the Department will be canceling the licenses for us?



- a. The Department has been working on canceling the licenses, however you are more than welcome to mark your last return as a final return to ensure the license is canceled.
2. Is there any resources we could look to, to determine what all would fall under the zero four five in relation to these changes. Such as fees a PMC may levy to a tenant such as a non refundable administrative fee or utility reimbursement, or any of the other charges that we may levy to a lease in place greater than 30 days?
 - a. If the PMC is engaged in business under another classification and those items are taxable under that other classification, then they would remain taxable. Items that were previously taxable under a classification that no longer exists are not taxable when the classification ceases to exist.
3. If we are filing through a PMC license, we cannot mark the return as final with the bulk upload process, will the Department cancel those licenses?
 - a. Yes, the Department will cancel any license with only residential rental 045 business code. If you have a license with multiple property addresses or locations, we are only closing the specific locations using business code 045.
4. We have a handful of properties that have multiple units, but only one or two of the units fall under transient lodging. Up to this point we have been filing those couple short term rental units under the business code 045 with the other units. The license only has business code 045 on it, what would we need to do to keep the license open for the one or two units that fall under short term rental properties?
 - a. You can use the Business Account Update Form to update the business code to add in the additional business codes needed. If the license has already been closed, you can use the same Business Account Update Form to re-instate the license and add in the additional business codes.
Business Account Update Form:
<https://azdor.gov/forms/tpt-forms/business-account-update>
5. When the removal of rental tax first came about I heard it was only going to be a two year pause. Is there any indication that this is temporary because it sounds like it is now a permanent pause on TPT for 045.
 - a. The statute did not have a time limit, it was very clear that residential rental will no longer be taxed and it will be end dated for 01/01/2025.



6. If I understand correctly, we as PMC's do not need to do anything with the property owners license. Do we need to provide any instructions to the property owners to do anything with the license?
 - a. We have been in communication with all property owners, so hopefully by now the owners have received several forms of communication from us regarding the upcoming changes. If they are only conducting business as a residential rental (045) they will not need to do anything, the license will not be renewed, it will be canceled. If the property owner is delinquent for any returns or has unpaid taxes on the account, the property owner is still responsible for ensuring all returns are filed and paid.
7. Will we still be able to see past liabilities to make payments if anything is due?
 - a. Yes, that is correct you will still have access to make payments on past liabilities.
8. Will we still have access to the past return filings and payments history?
 - a. Yes, that is correct, you will still be able to access the account history in AZTaxes.gov, even after the license has been closed.
9. I have a handful of people that are showing up on my PMC license renewal page within AZTaxes.gov, and some of properties showing for renewal only have business code 045, do I need to go in and close these licenses manually?
 - a. The Department is currently going in and preemptively closing licenses with only business code 045, however this will not effect that the licenses will still show engaged in the PMC account. If these licenses do not cancel or do not appear to be closed after 01/01/2025, please reach out to us for further assistance.
10. Do we know if there is another tax that will replace the rental TPT?
 - a. That would not be up to ADOR to decide, that would be up to legislators and voters and whatever changes they deem necessary.
11. We have a new property owner who is starting a residential rental property coming on board in December of 2024. How should we handle new licenses that should be applied for during December 2024 that are just engaged in residential rental business code 045? Would the licensing fee be reduced?
 - a. They would still need to apply for a TPT license for the month of December to file and pay for that month. The Department anticipates that this may happen for some, so we will make another assessment and



begin canceling additional licenses in January. License fees will not be prorated.

12. Will the PMC license automatically cancel as well or do we need to do something on our end to close that out?
 - a. The PMC license will not be affected by this change and will not close automatically, we are only canceling licenses for property owners engaged in business code 045 only. If you are needing to close your PMC license, you would need to submit a Business Account Update Form to do so.