



## PMC Community Connection

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

Date: Friday, November 22, 2024

Time: 12:00pm – 1:00pm

Attendee: Marlene Karal - Deputy Assistant Director - Education & Outreach  
Matt Harris – Tax Education Trainer – Education & Outreach  
Heather Racino - Customer Service Representative - Taxpayer Services  
Heatherlyn Sullivan - Program Project Specialist - Taxpayer Services  
Megan Hawker - STARS Functional Lead - Training  
Sophia Solis- Sr. Director of Communications & Stakeholder Relations - Support

### 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"><li>● <a href="#">Property Management Companies Resource Page</a></li><li>● <a href="#">Residential Rental Guidelines Page</a></li><li>● <a href="#">Power of Attorney (POA)/ Disclosure Form 285-PMC</a></li><li>● Additional Questions? Email us at: EducationUnit@azdor.gov</li></ul>

## 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](http://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. I manage the books for a new PMC for short term rentals. Do we need to tax labor charges for maintenance charged to our homeowners?
  - a. The tax base under the transient lodging classification is the gross receipts derived from the business unless there is a specific statutory deduction. The charges to owners are taxable as there is no deduction for maintenance.
  
2. What happens with our PMC license?
  - a. PMC licenses will not be affected by Residential Rental changes.
  
3. I have an owner that has one license, and there are both residential and commercial under this license. How would I handle this?
  - a. We will close the location that is associated with the residential rental business code, and the commercial lease location will remain open and active. You will file as normal for the commercial lease activity.
  
4. What if we have a TPT with a business code 045 that should actually be a commercial rental?
  - a. You would want to fill out a Business Account Update Form (10193) to update the business classification to be correct. If you have AZTaxes, you can complete the change online.
  
5. I just logged in to pay TPT for my personal rentals and it shows that my TPT license is CLOSED. I was able to file and pay. Should I be concerned about anything?
  - a. No, if your license is closed and you are operating as 045, you are one of the accounts that the Department of Revenue took action to close the residential rental business code early.
  
6. If we only have Residential Rental 045, do we just file normally as we would in January for the December period? Will ADOR take care of everything else?
  - a. As long as you are only operating under the 045 classification, yes you will file for December 2024 in January 2025, and those licenses that are associated with the 045 classification will be canceled by ADOR.



7. I manage an Airbnb, and most stays are for less than 30 days. What do I do with the occasional stays that are over 30 days? Will airbnb still collect TPT, or do I need to contact them?
  - a. The 045 business code will no longer work, so you would not be able to report any gross receipts for residential rentals. Anything associated with short-term rentals will remain active and can be filed as usual.
  
8. If an owner includes tax in the rent must the owner reduce the rent by the tax amount after December 31, 2024?
  - a. Title 33 (specifically 33-1332) requires that a landlord not charge a tax and allows a tenant to sue landlords that still charge a tax. They need to reduce the rent if it includes taxes.
  
9. If we need to file amended returns, how long do we have to file those for refunds?
  - a. If you need to file an amended return, it would be for any returns prior to Jan 1, 2025. You can always file amended returns as needed. Just make sure you have your correct periods chosen when filing.
  
10. Is there reason to assume there will be an increase in audits performed by AZDOR for prior periods?
  - a. We cannot speak on any sort of audit selection processes.
  
11. I manage a mobile home park where the occupants own the homes but rent the land with a long term lease. Do they have to pay rental tax in 2025?
  - a. We are only talking about Residential Rental, and nothing will be changing with Commercial Leasing, Short-term Rentals, etc.
  
12. How long we will be able to file amended returns
  - a. You can amend periods prior to Jan 1, 2025.



13. I'm not sure whether some of our owners have registered their properties with the county. If they have not, how and where can we direct them to do so?
  - a. That is not something that would be handled by ADOR. It would be best to find the number for your local county offices.
  
14. How can a PMC submit an amended return? What if a PMC must submit missing returns for anything prior to 2025?
  - a. Amended returns can be sent by mail to ADOR.
  - b. If it is a missing return, you need to simply make sure to file the past period. You can do this through your PMC license on AZTaxes using the Bulk Upload process.