



## PMC Community Connection

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

Date: Friday, December 6, 2024

Time: 12:00pm – 1:00pm

Attendee: Lorelei McClure - Education & Training Programs Manager – Education & Outreach

Matt Harris – Tax Education Trainer – Education & Outreach

Heather Racino - Customer Service Representative - Taxpayer Services

Heatherlyn Sullivan - Program Project Specialist - Taxpayer Services

Amanda Contreras - Taxpayer Assistance Manager - 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"><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. Will the ADOR Property Management Team, phone number and email remain active?
  - a. Yes, it will remain the same.
2. Will Cities require licenses going forward?
  - a. You will not need a TPT Lic for Residential Rental for the cities after December 31st, 2024.
3. Do we still need the POA for new clients if we don't have to get licenses anymore?
  - a. You will still need to provide a POA if you are calling into the department regarding a client's tax information.
4. Should we use the same email address when seeking waivers of late filing fees?
  - a. Yes the form 290 for Penalty Abatement requests will remain the same.
5. Can we file December, 2024 TPT payments/reports in December or do we have to wait until January 2025 to pay December?
  - a. You can go ahead and file December's TPT return in December if you would like to.
6. Do we need to disengage all of the owners ourselves?
  - a. Yes that would be great, if you are not able to disengage through the portal please send us an email and let us know.
7. How far back do we need to keep records, or how far back can you audit one of the TPT accounts?
  - a. If the Department of Revenue or the Cities see that there needs to be an Audit, they can go back as far as they like, but if you're doing everything correctly, then there should be no need for them to go back and audit you. Just making sure that you're following everything for this year. If you find that you accidentally forgot to file something, then you can just do an amended return and get those corrected.
8. If the license will not be renewed and will be cancelled if its code 045 by ADOR do we need to cancel the license online or will it be automatic?
  - a. Any licence with only business code 045 for Residential Rentals over 30 days, then the license will be automatically canceled on your behalf. However if the license has business codes other than 045 it will remain active and only the locations with code 045 will be closed.



9. Since we are still required to get a POA for our new clients that we've never obtained a tax license for, what should be put on that POA then? Because now it states its for the TPT license. Is that going to continue even though there's no license?
  - a. So in that case, you would only need to provide a POA for us if you're calling in regarding their account. For example, if they had a Withholding, TPT, Corporate, or Individual Income Tax Account and you're calling in regarding any one of those accounts, then you would need a POA on file. If they do not have a licence, do not have an account with the department, then no POA is needed. You would only need a POA on file for your client if you are calling in to get information on an account or take action on an account.
10. How can I see on AZTaxes.gov what business classification codes are set up? I have delegate access for many of my property owners. Three of mine are giving the 'License Renewal' option, the remainder are not.
  - a. If you go in under your business list you should be able to see the classification codes. If you're not seeing the renewal option, you may not have delegate access for those. As you can only see the renewal option if you have been granted delegate access. If you are only engaged to the property you will not be able to see the renewal option, but if you have been granted delegate access you should be able to see the renewal option.
11. Is there a way to disengage multiple properties all at once, or do I need to do this individually?
  - a. I do believe you have to go in and disengage the properties one by one. Please also make sure if you need to update any mailing addresses back to the property owner when disengaging to complete [Form 822](#) as well.
12. Is it necessary to disengage the property if the license is going to be canceled anyway?
  - a. It is not required to disengage the property on your end since the license will be automatically closed.
13. Do we need to renew our Property Management TPT License if we only manage residential rentals?
  - a. So your property management license never needs to be renewed. If you want to keep your PMC license you can. If you're doing residential rentals only, you can close it if you like.