

Online Lodging Marketplace (OLM) Factsheet

January 2019 (revised January 2025)

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OLM

- An online lodging marketplace (OLM) is a marketplace that provides a digital platform through which unaffiliated third parties offer to rent lodging accommodations in this State to an occupant including a transient and collects the full amount charged by the online lodging operator (operator). This property is not classified for property tax purposes under A.R.S. §42-12001 (class one property).
- After December 31, 2018, all OLM's are required to be registered to file and pay on all online lodging transactions pursuant to A.R.S. §42-5005 L.2.
- OLMs file by JURISDICTION not by LOCATION and must file monthly, A.R.S. §42-5014 E.2.
- If the OLM books lodging stays for less than 30 days, it will report for the state/county and any applicable cities. It will use business code 325 for state/county reporting. It will report city taxes using business code 044 for the city business classification Hotel and 144 for those cities that impose an additional tax on transient lodging (additional hotel tax).
- Lodging stays longer than 29 consecutive days are not taxed at the state, county, or city level. For filing periods prior to December 31, 2024, some cities imposed a tax on residential rentals. OLMs which booked lodging stays longer than 29 consecutive days during such period should have reported the lodging stays as residential rentals for cities which taxed residential rentals. The business code for this type of lodging is 045. See the Department's historic rate table for information on those cities which previously taxed this business classification.
- OLMs will report all lodging accommodations in Arizona offered through their online lodging marketplace. The tax base for the online lodging marketplace classification is the gross proceeds of sales or gross income derived from the business measured by the total amount charged for an online transient lodging transaction by the operator.
- There are two deductions unique to an OLM:
 - Fees charged by the OLM that are not included in the amount charged by the operator but are included in gross receipts; the deduction code for this activity is 793.
 - Lodging accommodations in facilities that are classified as class one property for property tax purposes under section A.R.S. §42-12001; the deduction code for this is 794. Usually, this will be Hotels but can be other types of facilities.
- Should an OLM receive income from renting lodging accommodations for an operator of property classified as class one property for property tax purposes, they must obtain a certificate from the operator stating that their facility is classified as a class one property for property tax purposes and that the class one property owner will collect and remit the tax. Exemption certificate, Form 5019, will be used to document this non-taxable transaction to the OLM. This is completed and signed by the class one property operator or its designee. Both the OLM and the class one property operator will keep copies of this document. The OLM will deduct the income from the rental of this property from their tax base using deduction code 794.
- The tax base for an OLM is the gross sales or gross income attributable to the amount charged for an online transient lodging transaction by the operator. This includes additional guest fees, cleaning fees, security fees and any other fees charged by the operator. The OLM will remove from their tax base any fees that are not part of the online lodging transaction charged by the operator. The OLM will use deduction code 793. The deduction is NOT allowed if the OLM has reduced the amount charged by the operator for the online lodging transaction by the amount of their fee. The entire amount charged to the occupant by the operator for lodging accommodation is taxable income for the OLM. However, the OLM may exclude their fee if it is an amount charged in addition to the amount charged for the lodging accommodation by the

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operator. If the invoice includes only one line item amount for the accommodations, it will be assumed that that amount is the amount charged by the operator for the accommodations. In such cases, the full amount is taxable.

- The other deductions available to an OLM are Tax Collected or Factored (deduction code 551) and Bad Debt (deduction code 558).
- A registered OLM will give the online lodging operator (operator of the property), documentation as defined in A.R.S. §42-5076, pursuant to A.R.S. §42-5009(P) that the OLM has remitted or will remit the applicable tax to the Department pursuant to A.R.S. §42-5014(E). Exemption certificate, Form 5018, will be used to document this non-taxable transaction for the operator. The operator and the OLM will retain the documentation for their records to provide evidence of an exempt transaction.
- An OLM is not required to list or otherwise identify any individual operator, as defined in A.R.S. §42-5076, on any return or any attachment to a return, pursuant to A.R.S. §42-5014(E)(3).
- The income derived from lodging accommodation owned by a Native American where the accommodation is located on the reservation for which the tribe is established and listed by that Native American on an OLM website is not subject to the TPT. The Native American will give the OLM an exemption certificate, Form 5019-R, to document the ownership of the lodging accommodation is located on the reservation of which the Native American is a member. Deduction code 570 will be used to deduct this income from the gross receipts of the OLM.
- For state and county purposes, an OLM reports its gross receipts using business code 325. For city purposes, an OLM reports its gross receipts using business codes 044 (hotel), 144 (additional hotel) and 045 (residential rental) if prior to January 1, 2025.

Operators/Property Managers

- An online lodging operator or owner of residential properties may not offer for rent or rent a lodging accommodation without first obtaining a current TPT license. This is true whether or not the owner or operator offers the accommodation through an OLM.
- A.R.S. §42-5042(A) requires that an operator must list the TPT license number on each advertisement for each lodging accommodation the operator maintains, including any OLM postings. If the property is advertised through an OLM, the operator must be able to substantiate that they gave the OLM their current TPT license number. If there is no specific place on the OLM website to list the operators' TPT license number it is recommended that it be included in the description of the property. It can be listed at the beginning of the description or at the end, it is not necessary to identify it as a TPT license number.
- Effective August 27, 2019, penalties are imposed for not obtaining a TPT license or displaying that license on an advertisement. A total of \$250 will be assessed for a first offense and \$1,000 for any subsequent offense. Operators will also be assessed additional penalties for failure to comply with city or county ordinances where there is a final adjudication of an ordinance violation.
- Operators and property managers do not have special business codes to report the revenue received through an OLM. They will utilize the business codes for transient lodging for the State and hotel and additional hotel for the cities.
- The operators and property managers will use business code 025 to report lodging bookings for less than 30 days for the state/county. The business codes used to report these types of transactions for the cities will be 044 for Hotels. Business code 144 for additional hotel for those cities that have the additional hotel

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tax. The operator/property manager that receives short-term lodging revenue from online lodging accommodations through an OLM will obtain a certificate from the OLM stating they are collecting and remitting the tax on the transaction pursuant to A.R.S. §42-5070 C.2. Exemption certificate, Form 5018, will be used to document this non-taxable transaction for the operator. This is completed and signed by the OLM or his designee. The operator and the OLM will retain the documentation for their records to provide evidence of an exempt transaction. The operator/property manager will report this income but deduct it from their tax base utilizing deductions code 775.

- The revenue that operators and property managers receive through an OLM for lodging bookings for 29 consecutive days or more will be reported by the operators and property managers as residential rental using business code 045 for the *cities* only. Long-term lodging rentals are not taxed at the state or county levels. The operator/property manager that receives long-term revenue from online lodging accommodations through an OLM will obtain a certificate from the OLM stating they are collecting and remitting the tax on the transaction pursuant to A.R.S. §42-5070 C.2. Exemption certificate, Form 5018, will be used to document this non-taxable transaction for the operator. This is completed and signed by the OLM or his designee. The operator and the OLM will retain the documentation for their records to provide evidence of an exempt transaction. The operator/property manager will report this income but deduct it from their tax base utilizing deductions code 776.
- The operators/property managers will report by LOCATION, not by JURISDICTION.
- The other deductions available to an operators/property managers are; Tax Collected or Factored (deduction code 551) and Bad Debt (deduction code 558).
- If the operator engages a property management company (PMC), the PMC will file on their behalf utilizing the procedures set forth by the department.

As a PMC, the tax base will include the fees charged by the PMC for their services to the owner.

- The income derived from lodging accommodation owned by a Native American - where the accommodation is located on the reservation for which the tribe is established and listed by that Native American on an OLM website - is not subject to the TPT. The Native American will give the OLM an exemption certificate, Form 5018-R, to document the ownership of the lodging accommodation is located on the reservation of which the Native American is a member. The Native American will use deduction code 570.

Hotels

- Hotels receiving income through online lodging accommodations obtained through an OLM will report this revenue and pay the appropriate tax.
- Hotels and other class one property operators will provide a certificate to an OLM attesting they are a class one property and have remitted or will remit the applicable tax to the department pursuant to section 42-5070, subsection A. Exemption certificate, Form 5019, will be used to document this non-taxable transaction to the OLM. This is completed and signed by the class one property operator or his designee. Both the OLM and the class one property operator will keep copies of this document.
- The hotel will use the Hotel Matrix to determine the taxability of any other transactions.