

LICENSE REQUIREMENTS

Owners of residential rental properties are required to obtain and maintain a privilege (sales) tax license.

Owners may list multiple residential rental properties located in the City of Tempe under one license as long as each property consists of four or fewer rental units and the legal owner of each property remains the same.

CHANGES IN TITLE OR OWNERSHIP

Any change in title or ownership requires a new license. A transfer of ownership from an individual(s) to a trust or LLC is considered a change of ownership. You are required to notify the Tax & License Division within 30 days of any ownership change.

You are also required to notify the Tax & License Division of any changes in mailing address and rental properties (purchased or sold).

WHAT IS THE TAX RATE?

The City's tax rate is 1.8%

FOR ADDITIONAL INFORMATION

Call: (480) 350-2955

Visit the Tax & License Web Page at:
www.tempe.gov/salestax

Email: salestax@tempe.gov

Write or Visit:

City of Tempe
Tax & License Division
660 S Mill Avenue, Suite 105
Tempe, AZ 85280

Hours: Monday – Friday 8:00 – 5:00

Neighborhood Enhancement Division landlord/tenant information:

www.tempe.gov/codee/rentingintempe.htm

This publication is for general information only. Please refer to the City of Tempe Code for complete information.



RESIDENTIAL REAL PROPERTY RENTALS

City of Tempe Privilege (Sales) Tax



July 2006

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you lease or rent residential real property located within the City of Tempe. The entity leasing or renting to the tenant in actual possession is responsible for the tax.

Examples of residential rentals include: houses, condos, townhouses, apartments, manufactured homes, and mobile home (trailer) spaces. Rental of a residential space, such as a room to a college student, is also taxable.

Rentals for less than 30 consecutive days are also taxable under the Transient Lodging classification.

NOTE: Effective October 1, 2006, the exemption for one residential rental property was eliminated and **ALL** residential rental properties are subject to the City's privilege tax.

WHEN IS THE TAX DUE?

Your tax return and payment is due on the 20th day of the month following the reporting period.

WHAT IS TAXABLE?

All amounts paid by the renter to, or on behalf of, the owner are taxable.

In addition to rent, taxable income includes payments by the tenant for:

- Pet fees
- Telecommunications (cable TV, phone, internet)
- Non-refundable deposits
- Forfeited deposits
- Utilities
- Pool service or landscape maintenance
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Property taxes
- Mortgages or home equity loans



DEDUCTIONS FROM INCOME

The following items may be taken as a deduction on your tax return when they are included in the gross income:

- City tax collected or factored
- Bad debts on which tax was paid on a previous return
- Refundable security deposits, unless they are retained
- Utility charges only if individual utility meters have been installed and each tenant pays the exact amount billed by the utility company
- Room charges to patients of qualifying health care organizations

The following expenses paid by the owner or tenant are **NOT** allowable deductions:

- Payments for repairs, pool service, landscape maintenance or other service labor
- Homeowner association fees

CALCULATING THE FACTORED TAX DEDUCTION

If you include tax in your rent (no separate charge for tax), you may compute the amount of tax included in your gross income for deduction purposes in the following manner:

$$\text{Gross Income} \times \text{Factor Rate} = \text{Factored Tax Deduction}$$

Example:

$$\$950.00 \times 0.017681 = \$16.80$$