

WHAT IS TAXABLE

Please note that Federal Rent Subsidies are taxable. In addition to rent, taxable income includes any payments made by the tenant for:

- Pet Fees
- Telecommunications (phone, cable TV and internet service)
- Non-refundable deposits
- Utilities
- Forfeited deposits
- Common area maintenance
- Landscape maintenance or pool service
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Owner's property taxes
- Owner's mortgages or home equity loans

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

DEDUCTIONS FROM INCOME

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

- City tax collected or factored into total revenue.
- Bad debts on which tax was paid on a previous month's return.
- Refundable security deposits, unless they are retained.
- Utility charges if individual meters have been installed and each tenant pays the exact amount billed by a utility department.
- Room charges to qualifying health care organizations.

The following items are NOT allowable deductions:

Privilege Tax differs from Income Tax., deductions allowed for Income Tax are **NOT** allowed for Privilege Tax.

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

Town of Gilbert

Residential Rental Tax Guidelines

TAX COMPLIANCE

50 East Civic Center Drive
Gilbert, Arizona 85296
480-503-6852
480-497-4943 fax

www.gilbertaz.gov/taxcompliance



The Model City Tax Code is available on the Town of Gilbert website - www.gilbertaz.gov/taxcompliance

RESIDENTIAL PROPERTY RENTALS

Most municipalities charge tax to the owners of leased or rented property. The following guidelines apply only to those properties located within the boundaries of the Town of Gilbert, Arizona. You will need to supply your Transaction Privilege Tax ID number in order to maintain utility service to your residential rental property.

RESIDENTIAL PROPERTY

All Residential Rentals in Gilbert are taxable at 1.5%

As of October 1, 2010 all residential rentals located in Gilbert Arizona are taxable at 1.5%. Residential rentals are not taxed by the State of Arizona or by Maricopa County.

Renting to a family member is taxable, but may be exempt from County registration or classification requirements.

In order to report the tax, you will need an Arizona State Transaction Privilege Tax (TPT) ID number as explained under the next category.

HOW TO FILE

Gilbert is a program city through the State of Arizona; which means that you will

report and pay Gilbert Tax to the Arizona Department of Revenue (AZDOR).

In order to report and submit Gilbert rental tax, you will need an Arizona State Transaction Privilege Tax (TPT) ID number. The application may be obtained on the Arizona Department of Revenue website – www.azdor.gov, under the Forms Category in the TPT section. The form is titled JT-1 Joint Tax Application. You may pick up an application at the Town of Gilbert or at the AZDOR East Valley Office, located at 1840 S Mesa Drive, Mesa, AZ 85210 (Crossroads Baseline Road & Mesa Drive).

In order to report **Gilbert residential rental tax**, please indicate on question #16 on page 1 your business description as: “**Gilbert Residential Rental Only**”. In addition, on Page 2 in Section C you will apply for the Gilbert ID number only– the cost is **\$2.00 per property**. You **will not** need to pay the State License fee of \$12.00.

Please call 480-503-6852 if you need assistance with the application.

Monthly collection forms will be mailed from the State of Arizona for completion and submittal of the tax due. If you do not receive a form, they can also be downloaded from the State website – www.azdor.gov under the forms category in the TPT section and is titled TPT-1.

Penalties and interest may apply for forms not submitted as required. Forms will

need to be submitted as determined by the State, normally monthly. If you are not collecting rent because of vacancies or other reasons, reports will need to be submitted with a zero dollar amount in order to avoid the State collection policy.

IF YOU HAVE A PROPERTY MANAGEMENT COMPANY

Please be advised that it is ultimately the responsibility of the property owner to submit payment for residential rental tax.

Depending on your contract with the management company, they may or may not file the taxes for you. Please make sure you are clear on what services your contract includes. You will be liable for the tax and any penalties if the company does not file returns in your behalf.

MARICOPA COUNTY ASSESSOR REGISTRATION

All Residential Rentals are to be registered with the County Assessor. There may be penalties and fines for houses not correctly identified as a rental.

Registration may be done on the assessor’s website: www.maricopa.gov/assessor/ under the Real Property tab there is specific rental information and forms. Failure to register a property as a Residential Rental can result in additional fines.

Gilbert rentals that are not registered can be reported to the Gilbert Code Compliance Officer at 480-503-6879.