

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:

- Utilities
- Pet Fees
- Telecommunications (phone, cable TV and internet service)
- Non-refundable deposits
- 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:

Transaction privilege Tax differs from Income Tax; deductions allowed for Income Tax are **NOT** allowed for Privilege Tax. For example:

- 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

SalesTax@GilbertAZ.gov

GilbertAZ.gov/TaxCompliance

Revised August 2019



The [Model City Tax Code](#) is available on the Town of Gilbert website

This brochure is meant to be a guideline only. For complete details, refer to the [Town of Gilbert Tax Code](#) and related regulations. In all cases, the language of the tax code shall prevail.

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.

The Arizona Department of Revenue also has [residential rental resources](#) on their website.

RESIDENTIAL PROPERTY

All residential rental properties in Gilbert are taxable at a rate of 1.5% of gross income. Properties that are rented for less than 30 days may be subject to an additional 2.8%.

Residential rentals are not taxed by the State of Arizona or by Maricopa County.

Renting to a direct family member is exempt from transaction privilege tax and may be exempt from County registration or classification requirements.

VACATION RENTALS

Some landlords may rent their properties for less than 30 days at a time. These rentals are subject to the State Transient Lodging classification, and the Hotels classification under the Model City Tax Code.

HOW TO FILE

The Arizona Department of Revenue (AZDOR) administers the transaction privilege tax for the Town of Gilbert; this means that you as a property owner will report and pay your Town of Gilbert transaction privilege tax to the AZDOR. Taxes can either be included in your overall

price, or charged to your renter as a separate line item.

Owners of residential rental properties are required to obtain and maintain a privilege (sales) tax license. The license must be maintained in the name of the owner, not a property management company. Owners may list multiple residential rental properties statewide under one TPT license as long as the legal entity of each property remains the same.

In order to report and submit Gilbert rental tax, you will need an AZDOR Transaction Privilege Tax (TPT) license number. The application can be completed online at www.AZTaxes.gov (quickest way) or via paper at www.azdor.gov, under the Forms Category in the TPT section. The form is titled [Residential Rental Transaction Privilege Tax Application](#).

NOTE: If your main residence is outside the United States (i.e. Canada or Mexico), you must apply for your TPT license file via paper.

The license fee associated with residential rentals is **\$2.00 per property**. You **will not** need to pay the State License fee of \$12.00. You can also choose how frequently you file your return and payment. For example, if your total that you owe annually in combined Arizona, county and municipal TPT tax is less than \$2,000, you may file and pay annually.

Once you receive your TPT license, you can file and pay your tax online at AZTaxes.gov. You may file via paper if you have only one property; it is state law to file online if you have more than one property. The business code used for residential rental to file residential rental activity is 045.

If your property is vacant or if you are not collecting rent, you will need to file a return with a zero-dollar amount in order to avoid penalties. Failing to do so will result in a \$25 penalty fee per month.

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 transaction privilege 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 on your behalf.

MARICOPA COUNTY ASSESSOR REGISTRATION

All residential properties being used as a rental in the Town of Gilbert need to be registered with Maricopa County as a rental.

Gilbert rentals that are not registered can be reported via email at SalesTax@GilbertAZ.gov