WHAT IS TAXABLE

All amounts paid by the renter to or on behalf of the owner are taxable. In addition to rent, some examples of taxable income include payments made by the tenant for:

- Owner's mortgage payments
- **C**ommon **A**rea **M**aintenance (**CAM**)
- Telecommunications (phone, cable TV and internet service)
- Non-refundable deposits
- Forfeited deposits
- Utilities
- Landscape maintenance
- Association fees
- Late fees, court fees and legal fees
- Repairs and/or tenant improvements
- Property Taxes

NOTE that rents received from **non-profit** organizations and **government** agencies **are taxable**.

DEDUCTIONS FROM INCOME

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

- City and County 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.

- Transactions when leasing to qualifying related parties owning at least 80 % of each entity may be deducted.

The following are examples of items that are NOT allowable deductions:

- Payments made for repairs, landscape maintenance or other service labor.

- Common area maintenance fees

- Property taxes

GILBERT
ARIZONA

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

Town of Gilbert

Commercial Lease Tax Guidelines

TAX COMPLIANCE

50 East Civic Center Drive
Gilbert, Arizona 85296
480-503-6852
480-497-4943 fax
www.gilbertaz.gov/taxcompliance

COMMERCIAL LEASES

Most municipalities charge tax to the owners of leased or rented property. Some examples are: office buildings, stores, warehouses, factories, churches, vacant land, office space within another office, parking lots, banquet halls, meeting rooms, storage facilities and storage yards. The following guidelines apply to properties located within the boundaries of the Town of Gilbert, Arizona.

COMMMERCIAL PROPERTY

Commercial property tax rate: 2.00%*

All leased or rented commercial properties located within the Town of Gilbert are taxable. The entity leasing or renting the property to the tenant is responsible for the tax.

*This is broken down when reported on the monthly report to the State of Arizona as 1.5% GB (Gilbert) and .5% MAR (Maricopa County).

LICENSING & REPORTING

Gilbert is a Program City of the State of Arizona; which means we contact with them to collect our tax directly. 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; select the forms category then select the TPT section. The form is titled JT-1 (Joint Tax Application). The application may also be picked up at the East Valley office of the Arizona Department of Revenue which is located at 1840 S Mesa Drive, Mesa, AZ 85210 (Crossroads Baseline Road & Mesa Drive). Their phone number is 480-545-3500. You may register and complete the form online at www.aztaxes.gov.

Monthly tax reporting forms (TPT-1) will be mailed directly to you from the State of Arizona for completion and submittal of the tax due. It is the responsibility of the taxpayer to submit monthly forms. Penalties and interest may apply for forms not submitted as required. You may also register to file and pay online at www.aztaxes.gov.

IF YOU HAVE A PROPERTY MANAGEMENT COMPANY

Please be advised that it is ultimately the responsibility of the property owner to submit payment for commercial 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 and exactly what will be done by the management company. You will be liable for the tax and any penalties if the company does not file returns in your behalf.

CALCULATION WHEN FACTORING THE TAX

If you elect to include the tax in the rent (no separate charge for tax), you may compute the amount of tax included in your gross income as indicated below:

Gross rent ÷ 1.020 = taxable rent

Example:

Gross monthly rent:	**$1,000.00**
Factor 2% tax	÷ 1.02
Net taxable rent	$ 980.39

Monthly tax paid will be $19.61which if added to the net taxable rent will total the amount collected from tenant - **$1,000.00.**

If you **add** the tax to the rent and **charge the tenant**, the gross rent would be $1,020.00. ($1,000.00 x 2% = $20.00 tax). The $20.00 would be a deduction and the net taxable would be $1,000.00.

GILBERT BUSINESS LICENSE

In addition to a TPT License, you will also need a Gilbert Business License.

As of July 1, 2011 all commercial property owners are required to retain a business license with the Town of Gilbert for each commercial property they own in Gilbert. Detailed information is available in **Section 14-37** of the Municipal Town Code. License information is available at: http://www.gilbertaz.gov/eservices/business/ or call 480-503-6700 for assistance.