



ARIZONA STATE SENATE
Fiftieth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1514

city sales tax; residential rental

Purpose

Clarifies that cities and towns are prohibited from imposing any *new* rate of the transaction privilege tax (TPT) to the business of renting or leasing real property for residential purposes, unless approved by the voters.

Background

Arizona is one of the few states that allow incorporated cities and towns to have a separate tax base for their TPT (sales tax) collections. These municipalities operate under the Model City Tax Code (MCTC) and all proposed changes to the code are approved by the Municipal Tax Code Commission.

Each municipality can decide which activities are taxable under the MCTC; however, if they choose to tax a particular activity, it must be done in accordance with the MCTC. This provides a uniform template for each municipality's tax code while also retaining the right among individual municipalities to choose which items are taxed or exempt, thereby leaving the determination of the local tax base to each city or town council. Municipalities can also set their own rates of taxation.

As established by Laws 2011, Chapter 40, cities and towns are prohibited from imposing or increasing the rate of TPT to the business of renting or leasing real property for residential purposes, unless approved by the voters, with exemptions for health care facilities, long-term care facilities or hotel, motel or other transient lodging businesses.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Clarifies a city or town that levies a transaction privilege, sales, gross receipts, use, franchise or other similar tax or fee is prohibited from imposing any *new* rate of tax on renting or leasing real property for residential purposes unless approved by voters of that city or town at a regular municipal election.
2. Becomes effective on the general effective date, retroactive to January 1, 2010.