



REAL PROPERTY RENTALS

Scottsdale Privilege & Use Tax

This publication is for general information only. For complete details, refer to the City of Scottsdale Tax Code.

February 2019

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are in the business of leasing or renting real property or licensing for use of real property to the final licensee located within the City of Scottsdale.

Licensing means any agreement between the property owner and the final user of real property. Examples include commissions received for licensing space for vending and amusement game machines, pay telephones, and the use of a portion of a business or property for filming movies or commercials.

WHEN IS TAX DUE?

Tax is due on the 20th day of the month following the month in which the revenue was recognized.

WHAT IS THE CITY TAX RATE?

The City of Scottsdale tax rate for real property rentals is 1.75% of taxable rental income.

RESIDENTIAL RENTALS

A person who has three or more residential units rented or available for rent in the State of Arizona must pay tax to the City of Scottsdale on the units located within the City of Scottsdale.

A person who has one unit of commercial property for rent plus one or more units of residential property available for rent in the State of Arizona must pay tax on the units located within the City of Scottsdale.

A property manager or broker who manages one or more residential rental units must pay tax to the City of Scottsdale on the units located within the City of Scottsdale. In this case, the property manager or broker must obtain the license and report the tax on the residential rental income for a property owner.

The property manager or broker is taxable even if an individual owner would not be taxable.

Examples of residential rentals include:

- Houses
- Apartments
- Manufactured Homes
- Time Shares

Residential rentals for less than 30 days are subject to an additional 5.0% transient tax. (See Hotel/Motel brochure)

COMMERCIAL PROPERTY RENTALS

A person in the business of leasing, renting, or licensing for use any non-residential land, building, or space must pay tax to the City of Scottsdale on the units located within the City of Scottsdale.

Examples of taxable commercial rentals include:

- Office Buildings
- Stores
- Factories
- Churches
- Vacant Land
- Parking Lots
- Banquet Halls
- Meeting Rooms
- Storage Facilities

Rentals to Non-Profit Organizations and Governmental Agencies are taxable.

Commercial property includes residential property that is used for commercial purposes (e.g. an office operated out of a bedroom).

WHAT IS TAXABLE? (RESIDENTIAL & COMMERCIAL)

All payments made by the renter to, or on behalf of, the lessor are taxable. Taxable income includes payments for property taxes, repairs, improvements, telecommunications, utilities, pet fees, non-refundable deposits, forfeited deposits, and common area maintenance charges.

NON-TAXABLE RENTAL REVENUE (DEDUCTIONS)

- Refundable security deposits, unless they are retained.
- Utility charges if individual utility meters are installed and each tenant pays the exact amount billed by the utility company.
- Room charges to patients in qualifying hospitals, qualifying community health centers, or qualifying health care organizations.
- Gross receipts derived from incarcerating or detaining inmates.
- Gross receipts derived from a lease between affiliated companies, businesses or persons if the lessor holds a controlling interest in the lessee, the lessee holds a controlling interest in the lessor, an affiliated entity holds a controlling interest in both the lessor and lessee or an unrelated person holds a controlling interest in both the lessor and lessee. Controlling interest means an 80% ownership of the voting shares of a corporation or of the interests in a company, business or person other than a corporation.

CALCULATING THE TAX

You may choose to charge the tax separately or you may include tax in your sales price. If you include tax in your sales price, you may factor in order to “compute” the amount of tax included in your gross income for deduction purposes.

To determine the factor, add one (1.00) to the total of state, county, and city tax rates.

Commercial Example: $1.00 + 0.0225 = 1.0225$

Calculate as follows:

$$\frac{\text{Gross Taxable Income}}{\text{Factor (1.0225)}} = \text{Computed Taxable Income}$$

Residential Example: $1.00 + 0.0175 = 1.0175$

Calculate as follows:

$$\frac{\text{Gross Taxable Income}}{\text{Factor (1.0175)}} = \text{Computed Taxable Income}$$

Gross taxable income less computed taxable income equals your deduction for tax collected.

If more City tax was collected than was due, the excess tax collected must be remitted to the City.

USE TAX

This is a tax on items that were purchased, leased, or rented without paying privilege or sales tax. The purchased, leased, or rented items become taxable when they are used, stored, or consumed within the City. Most commonly, purchases, leases, or rentals from out-of-state vendors will fall into this category. The use tax does not apply to purchases, leases, or rentals which are resold or re-leased in the normal course of business.

The City of Scottsdale use tax rate is 1.55%. Businesses are responsible for computing and paying use tax.

For more information call (480) 312-2400.

Write or visit:
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Business Regulations
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Scottsdale, Arizona 85251

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