

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 the county and city tax rates. (Remember that the county (.5%) is collected for Maricopa County and remitted on your State Transaction Privilege Tax return for the Commercial Rental Classification only.)

There are no state taxes due on commercial or residential property rentals.

Commercial Example: County and city taxes only

$$1.00 + .03 = 1.03$$

Calculate as follows:

Taxable Income = Computed Taxable
Factor (1.03) Income

Residential Example: City Taxes Only

$$1.00 + .025 = 1.025$$

Calculate as follows:

Taxable Income = Computed Taxable
Factor (1.025) Income

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.

Additional information and worksheets are available on-line for factoring tax.

USE TAX

Use Tax is a tax on tangible personal property which is purchased or leased for storage or use in the City on which tax was not paid at the time of purchase or rental. The use tax protects local vendors because it removes incentives for customers to shop outside of the city or state to avoid paying the city sales tax.

Most commonly, purchases, leases, or rentals from out-of-state vendors will fall into this category. Any business or individual may be required to pay use tax. This tax is imposed on purchases, leases, or rentals of tangible person property. Businesses are responsible for computing and paying use tax.

WHAT IS THE CITY'S USE TAX RATE?

The tax rate is 1.5%

For more information call:

(623) 333-2004 or

(623) 333-2001

Write or visit:

CITY OF AVONDALE

Tax & License Division

11465 W. Civic Center Drive

Suite #250

Avondale, AZ 85323-6808

World Wide Web Address

www.avondale.org

REAL PROPERTY RENTALS

AVONDALE PRIVILEGE TAX (SALES TAX)



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



Prepared by the City of Avondale
FINANCE & BUDGET DEPARTMENT

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 to a licensee, real property located within the City of Avondale. All real property rentals are subject to tax regardless of the number of rental units owned.

Licensing for use means any agreement between the property owner or owner's agent (licensor) for the use of the licensor's property where the licensor receives consideration and the agreement does not qualify as a sale, lease or rental agreement. 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.

WHAT IS THE CITY'S PRIVILEGE TAX RATE?

The tax rate is 2.5%

RESIDENTIAL RENTALS

Every person who has one or more units rented or available for rent within the City of Avondale must be licensed and report and remit taxes to the City.

Examples of residential rentals include:

- Houses
- Apartments
- Manufactured Homes
- Mobile Home (Trailer) Spaces
- Time Shares

Residential rentals of less than 30 days are subject to an additional 2% transient tax. (Hotel/Motel Classification)

WHEN IS THE TAX DUE?

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

REAL PROPERTY MANAGEMENT COMPANIES

Broker

Any person engaged or continuing in business who acts for another for consideration in the conduct of a taxable business activity, and who receives for his principal all or part of the gross income from the taxable activity.

Property managers (Broker) may report on behalf of the property owner. The property owner is **personally liable** for the payment of the tax to the City whether it is factored or collected from the lessee.

COMMERCIAL PROPERTY LEASES

A person who has one unit or more of commercial property for lease or available for lease, or who is in the business of leasing, renting, or licensing for use any non-residential land, building, or space within the City of Avondale, must be licensed and report and remit taxes to the City.

Examples of taxable commercial rentals include:

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

Rental of commercial property to Non-Profit Organizations and Governmental Agencies is taxable.

For more information on your obligation with the State, contact:

Arizona Department of Revenue
P.O. Box 29069
Phoenix, AZ 85038-9069
(602) 542-4576

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.
- Fair market value of one (1) apartment provided rent free to an employee of the complex, for every fifty (50) units in the complex
- Gross receipts from renting to a corporation are exempt, provided that the lessor's aggregate holdings in the lessee corporation amount to at least 80% of the voting stock of the lessee corporation