

WHAT IS TAXABLE

Please note that Federal rent subsidies (HUD) are taxable. In addition to rent, taxable income includes any payments made by the tenant for:

- Pet Fees
- Telecommunications (phone, cable TV and internet service)
- Non-refundable deposits
- Utilities
- 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
- Reimbursements (damages, keys, etc.) received from tenants

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:

Privilege Tax differs from Income Tax. Deductions allowed for Income Tax are **NOT** allowed for Privilege Tax.

- Payments made for repairs, pool service, landscape maintenance or other service labor.
- Homeowner association fees.



The Model City Tax Code is available on the Town of Fountain Hills website - www.fh.az.gov

Town of Fountain Hills

Residential Rental Tax Guidelines



RENTAL TAX COMPLIANCE

16705 E Avenue of the Fountains
Fountain Hills, Arizona 85268
(480) 397-2482
(480) 837-3145 fax
Email: rentaltax@fh.az.gov

RESIDENTIAL PROPERTY RENTALS

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 Fountain Hills, Arizona. You will need to supply your Transaction Privilege Tax ID number in order to maintain your residential rental property.

RESIDENTIAL PROPERTY

All Residential Rentals in Fountain Hills are taxable.

All residential rentals located in Fountain Hills, Arizona, are taxable. Residential rentals may also be taxed by Maricopa County.

Short-term (less than 30 days) – 13.87%

Long-term (30 or more days) – 1.6%

Renting to a family member is taxable, but may be exempt from County registration or classification requirements.

In order to report the tax, you will need a State of Arizona Transaction Privilege Tax (TPT) ID number as explained under the next category.

HOW TO FILE

Fountain Hills is a program city through the State of Arizona, which means that you will

report and pay Fountain Hills Tax to the Arizona Department of Revenue.

In order to report and submit Fountain Hills rental tax, you will need a State of Arizona Transaction Privilege Tax (TPT) ID number. The application may be obtained from the Arizona Department of Revenue website – www.azdor.gov under the Business section. The form is titled JT-1 Joint Tax Application for short-term (less than 30 days) or form 11186 Residential Rental Transaction Privilege Tax Application for long-term (30 or more days).

On the JT-1, in order to report **Fountain Hills residential rental tax**, please indicate on question #9 on page 1 your description of business as “**Fountain Hills Residential Rental Only**”. In addition, on Page 4, you will apply for the Fountain Hills code FH – the cost is **\$2.00 per property**. You **will** also need to pay the **State License fee of \$12.00**.

Please call the Department at (602) 716-7368 if you need assistance with the application.

Monthly collection forms will be mailed from the State of Arizona for completion and submittal of the tax due. If you do not receive a form, they can also be downloaded from the State website – www.azdor.gov under the forms category and is titled TPT-EZ or TPT-2.

Penalties and interest may apply for forms not submitted as required. Forms will

need to be submitted as determined by the State, normally monthly. If you are not collecting rent because of vacancies or other reasons, reports will still need to be submitted with a zero dollar amount in order to avoid the State collection policy.

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 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 Rentals are to be registered with the County Assessor. There may be penalties and fines for houses not correctly identified as a rental.

Registration may be done on the assessor's website www.maricopa.gov/assessor/ under the Property/Residential Property icon; there are specific rental information and forms. Failure to register a property as a Residential Rental can result in additional fines.

Fountain Hills rentals that are not registered can be reported to Fountain Hills Rental Tax at (480) 397-2482 or email rentaltax@fh.az.gov.