

On behalf of the Arizona Multihousing Association (AMA) we respectfully request your support of SB1239 City Sales Tax; Residential Rental sponsored by Senator Barbara Leff.

Purpose

Currently Arizona is one of two states, the other being Alaska, that allow municipalities to collect sales tax (or Transaction Privilege Tax – TPT) from residential renters. SB1239 will prevent cities and towns from increasing their sales tax on residential renters above the tax rate that is in place as of January 1, 2010. **SB1239 will not reduce the municipal revenue that is currently being collected. Further SB1239 will not prevent municipalities from increasing their sales tax for all other categories.**

Below is a sampling of what various municipalities charge residential renters and the estimated revenue received in 2009.

Municipality	Tax Rate	Estimated Annual Revenue	Municipality	Tax Rate	Estimated Annual Revenue
Buckeye	2%	\$320,021	Mesa	1.75%	\$6,208,220
Chandler	1.5%	\$8,520,878	Phoenix	2%	\$22,151,000
Gilbert	1.5%	\$2,052,049	Prescott	2%	\$2,227,744
Glendale	2.2%	\$4,748,799	Scottsdale	1.65%	\$7,096,070
Goodyear	2.5%	\$2,229,207	Tempe	1.8%	\$5,084,000

History

In the late 1970's the State Legislature abolished the state sales tax on residential rentals. During the 1980's many cities and towns started to charge sales tax on residential rentals creating a new source of revenue. Because monthly rents include pass through operating expenses such as property and utility taxes residential renters are subject to double taxation as a result of sales tax on rent.

Other impacts:

- Housing affordability is compromised by sales tax on rent and the lowest income earners in Arizona are adversely impacted.
- Residential renters do not benefit from the Homeowners Rebate.
- Sales tax on rent is a discriminatory tax as homeowners do not pay a sales tax on their mortgage.
- Sales tax on rent impacts those that can least afford this taxation.
- Sales tax on rent is a regressive tax only allowed by one other state (Alaska).
- Approximately 1/3 of all Arizonans are residential renters.

A yes vote on SB1239 will ultimately result in a tax break to low and middle income families in Arizona as municipal sales tax rates will increase in the future.

If you have any questions or need additional information please do not hesitate to contact:

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