

TEN THINGS THAT ALL ARIZONA LANDLORDS MUST KNOW



SO, YOU ARE INVESTING IN ARIZONA REAL ESTATE RENTAL PROPERTIES?

This is not intended to be a complete training course, but it should serve as a starting point. Even if you already own Arizona rental property, you may learn a few things you did not know.

We hope you will enjoy reading this print copy, but we encourage you to also read it on-line at:

<https://www.arrowpointrealty.com/for-landlords> for the live links to additional information.

BY WAY OF INTRODUCTION

Arrowpoint Realty Inc. was founded in 1985, and for over 33 years, we've been providing expert residential real estate sales, leasing and property management services for hundreds of landlords and small investors.

We are members of The Scottsdale *Area* Association of REALTORS® (SAAR), The Arizona Association of REALTORS® (AAR), and The National Association of REALTORS® (NAR).

We are also subscribers to the 30,000 agent Arizona Regional Multiple Listing Service (ARMLS), the 4th largest MLS in the United States, and a member of The National Association of Residential Property Managers (NARPM).

Since 2014, Arrowpoint Realty Inc. has employed state-of-the-art APPFOLIO professional property management cloud-based software.

We are proud of our spotless reputation with the Arizona Department of Real Estate, and our having received a perfect score on our most recent audit, earning us a place on the Commissioner’s Hall of Fame.

WHY AN ARIZONA RENTAL?

There are lots of things that draw people to our state – and particularly the Phoenix area “Valley of the Sun.” We have fantastic weather about 9 months out of the year . . . and as for the other three, we simply say, “. . . it’s a dry heat!

We attract retirees, business people, students, winter visitors, and regular working folks who may have reached a point where they only want to see snow on a calendar.

And all of these various groups fuel a very strong rental market, which in turn provides great opportunities for folks wanting to invest in real estate.

So, in no particular order, here are TEN THINGS THAT EVERY ARIZONA LANDLORD MUST KNOW --



#1 REGISTER YOUR PROPERTY AS A RENTAL

Arizona has a RESIDENTIAL RENTAL PROPERTY REGISTRATION LAW, which REQUIRES that any property which serves as a rental must be registered with the County Assessor in which the property is situated, AND if the ownership entity is outside the state, the registration must include naming a statutory agent.

The on-line registration process is relatively easy and quick, and the fee currently is Ten Dollars. For more information on how to register, the statutory agent requirement, or the penalties for NOT registering, here is a helpful link:

<https://www.azleg.gov/viewdocument/?docName=http://www.azleg.gov/ars/33/01902.htm>

The most important thing to understand is that you must not fail to comply with the registration requirements because the penalties can be severe. Arizona Law reads:

“ . . . a city or town shall assess a civil penalty of one thousand dollars against a person who fails to comply with this section, plus an additional one hundred dollars for each month after the date of the original violation until compliance occurs.”

If you have a property management company (PMC), they may or may not offer to serve as a statutory agent – many charge an additional annual fee to do.

NOTE: Arrowpoint Realty Inc. does provide statutory agency, at no extra charge to our clients, however, it is still your responsibility to complete the registration.

#2 CITY TRANSACTION PRIVILEGE TAX (TPT)

This is a sales tax on rent – paid by the tenant. Each City or Town in Arizona sets its own tax rate for rentals located within its boundaries. Tax rates vary from city to city, as do licensing requirements. Although assessed by the cities, the State of Arizona collects the taxes from each landlord.

There are a number of qualifiers as to whether or not a specific property is subject to rent tax, so for more information as to whether you will need a TPT license, go through the decision matrix on the next page or download a pdf with this link:

https://www.azdor.gov/sites/default/files/media/TPT_2017_residentialrental-matrix.pdf

An additional note: There is generally no State sales tax on rents from residential rental properties, with one important exception:

If you rent your property on a DAILY or WEEKLY basis, then you may be subject to the state “hotel” tax, which then requires an additional ARIZONA state tax license,

NOTE: Arrowpoint Realty’s services include helping you get the necessary tax licensing, as well as taking care of the collection and payment of the applicable sales taxes on behalf of, and at no additional cost to our management clients. WE DO NOT manage daily or weekly rentals which would require additional STATE sales tax licenses.

Residential Rental Licensing Matrix

(For use by owners of residential rental properties to determine whether there is a city tax license required)
 Residential rental is lodging stays for more than 29 days.
 Lodging stays of less than 29 days is taxable under the hotel/motel classification.

Q1	Do you as the owner lease residential rental property through a property manager?			NO	YES		
NOTE: If a property is leased through a Property Manager, every residential rental property located in a city that taxes residential rentals is subject to the tax and is required to pay a separate license fee for each property, regardless of the city minimum number of rentals.		See Q2 below		License Required See list of taxable cities in Q4, Q5, Q6			
Q2	Do you as the owner also own any commercial rental property located anywhere in the State?			NO	YES		
NOTE: If a person also owns a commercial rental anywhere in the State, every residential rental property located in a city that taxes residential rentals is subject to the tax and is required to pay a separate license fee for each property, regardless of the city minimum number of rentals.		See Q3 below		License Required See list of taxable cities in Q4, Q5, Q6			
Q3	Do you as the owner have a residential rental property located in one of these cities that do not tax residential rental or is located outside city limits?			NO	YES		
Bullhead City	Marana	Sedona	Tucson	See Q4 below	These cities do not tax residential rental. If you have other properties in other cities see Q4.		
Flagstaff	Oro Valley	Safford	Tusayan				
Globe	Payson	Show Low	Willcox				
Lake Havasu City	Quartzsite	Snowflake	Winslow				
Q4	Do you as the owner have one or more residential rental properties located in one of these cities (including those cities within Q3)?			NO	YES		
Apache Junction	Cottonwood	Hayden	San Luis	See Q5 below	License Required One license per owner One fee per location		
Avondale	Eagar	Holbrook	South Tucson				
Benson	El Mirage	Huachuca City	Springerville				
Bisbee	Eloy	Jerome	St. Johns				
Buckeye	Florence	Page	Superior				
Cave Creek	Fountain Hills	Paradise Valley	Tempe				
Chandler	Gila Bend	Patagonia	Wickenburg				
Clarkdale	Gilbert	Peoria	Winkelman				
Clifton	Glendale	Pinetop-Lakeside	Youngtown				
Colorado City	Guadalupe	Prescott					
Q5	Do you as the owner have two or more residential rental properties anywhere in the State, with at least one located in these cities (including those cities within Q3, Q4, and Q6, or in a county)?					NO	YES
Carefree	Mesa	Surprise	See Q6 below			License Required One license per owner One fee per location	
Goodyear	Prescott Valley *						
Q6	Do you as the owner have three or more residential rental properties anywhere in the State, with at least one located in these cities (including those cities within Q3, Q4, and Q5, or in a county)?					NO	YES
Camp Verde	Kearny	Phoenix	Taylor	Your residential rental property is located only in the county or outside city limits.	License Required One license per owner One fee per location		
Casa Grande	Kingman	Pima	Thatcher				
Chino Valley	Litchfield Park	Queen Creek	Tolleson				
Coolidge	Mammoth	Sahuarita	Tombstone				
Dewey-Humboldt	Maricopa	Scottsdale	Wellton				
Douglas	Miami	Sierra Vista	Williams				
Duncan	Nogales	Somerton	Yuma				
Fredonia	Parker	Star Valley					

Tax Rates & Fees

For tax rates, refer to the current TPT Tax Rate Table on our website under Transaction Privilege Tax (TPT)
 For fees, refer to the current Arizona Joint Tax Application (JT-1) on our website under Transaction Privilege Tax Forms
 Some cities have renewal fees. See our website Transaction Privilege Tax (TPT) then License Renewal
 *This jurisdiction currently has a 0.00% tax rate.

#3 SHOULD YOU GET A HOME WARRANTY?

Home warranty policies cover major repair or replacement issues that come up with a property. The choice to buy one is a tough issue, because these policies vary substantially in cost and coverage, so here are some pros and cons --

PRO: For one flat fee annually, all or most of the cost is covered if you have to replace an air conditioning system, a kitchen appliance, hot water heater, or garbage disposal. Some service contracts will even cover other items, but this is not a substitute for your regular property insurance.

CON: Most of these contracts have some sort of deductible, which must be paid to the technician upon arrival. And sometimes, during heavy air conditioning months from about May through September, when services companies are overloaded, it is sometimes a week or more before the problem is addressed, particularly if a major replacement, such as a compressor, is indicated.

If you have never been in Arizona when the temperature inside a home without working air may reach to over 120 degrees, and especially if there are infants or elderly residents, this is just not an adequate response.

Be certain you go over any potential provider's policy in detail before purchasing it, including exactly what is or is not covered and if there is a guaranteed response time.

Also, most of these policies do not cover common or ordinary maintenance issues such as a couple of loose roof shingles, or a broken sprinkler head.

NOTE: Arrowpoint Realty Inc. manages properties both with and without service contracts. If you have a warranty, be sure to provide and keep us updated on the expiration date, policy number, and contact information.

If you choose not to carry this insurance we have an excellent array of honest and reputable technicians and vendors to deal with just about any maintenance issues that may arise.



#4 MARKETING THE PROPERTY

FOR LEASE or FOR RENT sign out in front of a house still serves a purpose, but today, most people begin their search for housing – to lease or to purchase, with an Internet search at websites such as Rent.com, Zillow, REALTOR.com, or Rentals.com. And most of these searches are done with a mobile device.

If they are working with a REALTOR®, the search most likely would begin with the Arizona Regions Multiple Listing Service – the MLS.

They want to see photos (lots of photos), and complete information about amenities, upgrades, schools and nearby shopping.

They expect a fast response to any questions, and typically they want to schedule a visit to see the property first-hand, and at their convenience.

An Arizona Landlord needs a good marketing plan, including how you are going to take calls, preparations to answer inquires with detailed information, and how you will accommodate showings to interested parties.

NOTE: All Arrowpoint Realty FOR LEASE properties are listed on the Arizona Regional MLS, where they are exposed to 30,000 Valley REALTORS®, as well as syndicated to REALTOR.com, Trulia, and Zillow.

Our Appfolio property management program uploads our listings to dozens of other Internet rental sites, as well as www.ArrowpointRealty.com. AND tenants can apply RIGHT ON THEIR PHONE, when they view your property!

When permissible, we still install a professional real estate sign out front, with a FOR LEASE rider, on a stylish lantern style post, and we can arrange affordable, professional property photos that show your property off to its best!



#5 SCREENING APPLICANTS

The key to a good rental relationship is knowing exactly who will be living in your investment property. You should always have at minimum:

- A) Names of each occupant, including minors
- B) Birth dates and social security numbers
- C) Credit report and credit score
- D) Employment information
- E) Previous Landlord contact information
- F) Sex offender status check
- G) Criminal background check

And don't be shy about asking for these items!



NOTE: Arrowpoint Realty screens applicants for all of the items listed above, as part of our services – at no additional cost to the property owner. The cost is covered by a TENANT APPLICATION FEE, and screening can be done directly from a mobile device.

#6 FAIR HOUSING ISSUES

We could write volumes on this issue, but instead we will just show you the HUD poster that states the law, plain and simple as can be (see next page):



**EQUAL HOUSING
OPPORTUNITY**

**We Do Business in Accordance With the Federal Fair
Housing Law**

(The Fair Housing Amendments Act of 1988)

**It is Illegal to Discriminate Against Any Person
Because of Race, Color, Religion, Sex,
Handicap, Familial Status, or National Origin**

In the sale or rental of housing or
residential lots

In the provision of real estate
brokerage services

In advertising the sale or rental
of housing

In the appraisal of housing

In the financing of housing

Blockbusting is also illegal

Anyone who feels he or she has been
discriminated against may file a complaint of
housing discrimination:

1-800-669-9777 (Toll Free)

1-800-927-9275 (TTY)

www.hud.gov/fairhousing

**U.S. Department of Housing and
Urban Development
Assistant Secretary for Fair Housing and
Equal Opportunity
Washington, D.C. 20410**

**TURN THE PAGE for two important Fair Housing related
issues in particular worth further comment.**

1st, People with handicaps cannot be denied equal access

to housing, that should go without saying.

But the additional implication has to do with ASSISTIVE ANIMALS. Normally we think of only of guide dogs for the blind, but there are any number of other species that in various situations may qualify as “Assistive Animals.”

These animals are NOT pets. It is **illegal** to charge any sort of pet deposit or pet fee for them. The entire issue of assistive animals is beyond the scope of this guide, but if a landlord gets an application for a renter with an assistive animal, you must know your obligations under the law.

2nd, Families with children – “Familial Status” is a protected class under the Fair Housing Laws. It is just as illegal to deny housing to a family with children, as it would be to discriminate on the basis of color, or any of the other protected classes.

You may not even indicate a preference to rent to families without children.

Increasing the rent or deposits for families with children, or to express a preference for renters without children, may be considered discriminatory and a violation of Fair Housing, and such violations can result in very substantial fines and legal fees.

One of the most common arguments that Landlords have advanced about not renting to families with children is the claim that the property has a swimming pool, possibly unfenced, and the landlord does not want to be responsible, **BUT . . .**

. . . the lack of a fence IS NOT an excuse for refusing to rent

to families with children, instead – the landlord must fence the pool. Which leads us to the next item on our list of ten:

#8 SWIMMING POOLS



Private pools are a draw for many renters, especially folks moving here from other parts of the country where pools are not as common.

All things being equal, a house with a pool may get \$100 to \$200 per month more rent than an identical home without one, however, add in the cost of weekly pool service and occasional pool repairs, and having the pool may be a break even.

The most important consideration about renting a home with a pool – **YOU MUST** have a fence that meets the legal height requirement that serves as a barrier between the home and the pool itself. Pools must have self-closing and self-latching gates.

In some instances, doors going from the home to the backyard can be fitted with hardware that meets the pool barrier requirements, but a best source of information is a [pool fence company](#) – they are very knowledgeable.

Pools can be a desirable amenity, but they can also be a serious liability -- make certain your pool meets the legal requirements. Our feeling is that a rental property is a business – minimize the legal exposure -- **FENCE THE POOL.**

NOTE: Arrowpoint Realty includes an Arizona State Pool

Safety Bulletin as part of the lease documents. We require all pools in homes we manage be properly fenced or compliant with City and State Law, and we always build the cost of professional weekly pool service into the rent price of the lease.

#9 THE LEASE DOCUMENTS

It should go without saying: Always have a written and signed lease agreement. Written agreements help avoid misunderstandings and legal actions.

At minimum, the lease should include the names of the parties, the property address, the commencement and expiration dates of the lease, the monthly rent amount and rent tax if applicable, who is to be living in the property, any pets which are permitted, any late or NSF fees, the day the rent is due, what appliances or utilities are included, where the rent is to be paid or sent, and any grace period.

Be certain your lease contract is current and in accord with applicable Arizona Law, because Landlord & Tenant laws vary from state to state. The parties should each have a fully executed copy prior to occupancy.

NOTE: Arrowpoint Realty Inc uses the Arizona Association of REALTORS® Residential Rental Agreement, which is updated regularly to reflect changes in Arizona Law and/or court decisions, licensed exclusively for use by REALTOR® members.

We also employ two of our own addenda – Our Standard

Housekeeping Addendum, which addresses things such as hanging decorator items and pictures, and which requires that tenants have a plunger for minor plumbing backups and a vacuum cleaner; and also a Water /Mold addendum.

#10 A MOVE-IN / MOVE-OUT CHECKLIST

At, or shortly after the commencement of the lease, the tenant should complete a written inspection of the property, note any existing damage or maintenance issues, and then retain a copy, while returning another to the Landlord.

The form should provide an easy side-by-side comparison of property condition at move in and move out, so that damage issues are easily discerned. The landlord has the right to assess a reasonable charge for damage from abuse or misuse, but not from ordinary wear and tear.

IF the landlord intends to withhold any amounts from the tenant's damage deposit, the tenant should be notified in writing, and it is best to have a written estimate or receipt to support the amount charged rather than just an arbitrary number.



NOTE: Arrowpoint Realty provides tenants with a comprehensive Move-In/Move-Out checklist, from the Arizona Association of REALTORS® as part of our leasing services.

IN CONCLUSION

Rental properties in Arizona have proven to be a great investment, but like most major financial investments, although a few people can go it totally on their own, most find that having an experienced professional – in this case, a competent and honest property management company, more than pays for itself in the long run in terms of maximizing the return on the investment.

We invite you to learn information about our services, with no obligation, on our website at

www.ArrowpointRealty.com

We are happy to take your call at **480-947-1499**, or come visit us at our office located at 7900 E. Greenway Rd #209, Scottsdale AZ 852560.

Before you go, let us offer one final thought:

Your relationship with your tenant is a business one. Do not try to turn it into a friendship. Be fair, be responsible, be honest, BUT -- don't bring tenants gifts or take them out to dinner. This may sound harsh, but knowing how to deal with tenants is a critical landlord skill.

Hopefully, the relationship will be pleasant as both parties meet their obligations, however, there may be times when you will have to make some difficult decisions regarding the tenants in your property. So, keep it professional.