

[Senate Bill 1131](#)

Governor Hobbs Signs Rental Sales Tax Ban

Wednesday August 2, 2023

Summary:

Arizona REALTORS® reached a huge milestone by passing SB1131, which repeals the residential rental tax (Rental TPT) statewide. We appreciate the bipartisan support, and the work of freshman Democrats Senator Flavio Bravo and Senator Anna Hernandez. The bill was signed by the Governor and puts an end to this regressive tax on Arizona renters when affordable and fair housing is needed more than ever. Below is more information and a summary of media stories on the new law.

SB 1131:

- Prohibits a county, city or town from levying municipal tax on Residential Rentals.
- Requires landlords affected by elimination of transaction privilege tax (TPT) to no longer charge the tenant the amount of repealed TPT by October 1, 2024, and repeals this requirement effective January 1, 2027.
- **Exemptions:**
 - Health care facilities
 - Long-term care facilities
 - Hotels or other transient lodging businesses
- **Effective date: January 1, 2025.**

Media Summary:

- [Gov. Katie Hobbs signs bills on transportation sales tax measure, residential rental tax ban](#)
 - Signed two bills
 - First asks Maricopa County voters whether to extend the half-cent sales tax known as Proposition 400
 - Prop. 400 revenue is used to fund transportation infrastructure
 - Hobbs administration negotiated a compromise plan in **SB 1102** that won bipartisan support in the Legislature
 - Second in the negotiations for GOP support for SB 1102, Hobbs agreed to sign the GOP pushed bill **SB 1131**
- [Hobbs signs rental tax ban - The Center Square](#)

- A key legislative goal of republicans - **SB1131**
 - The bill will prevent municipalities from charging a sales tax on renters
 - Will not go into effect until Jan. 1, 2025, serving as an adjustment period
 - Arizona is one of the only two states in the country allowing rental tax
 - Critics are concerned that municipalities would lose a significant source of tax revenue
- **Hobbs signs rental tax ban, a GOP priority, after a deal for Prop 400 backing**
 - Arizonans can look forward to relief from rental taxes
 - The ban was at the top of Republicans' legislative priorities since the last attempt of passing the bill was rejected by Hobbs in February
 - 75 municipalities across AZ that collect rental taxes voiced fierce opposition
 - They warn that eliminating the revenue source would do nothing to help renters but instead force local governments to slash services or raise taxes elsewhere
 - Gov. Hobbs is said to work closely with the legislature to ensure that any savings go the renters, not landlords, and to help cities address funding gaps
 - Cities and towns stand to lose an estimated \$230 million in 2025
 - Advocates for renters' rights claim the ban will not compensate for the harm that tenants have suffered from rents skyrocketing over the past couple of years
 - Arguing rent control would be a more effective solution

Questions?

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