

VACATION RENTALS

Vacation Rentals in the City of Prescott are required to register with the City of Prescott prior to offering the property for rent for a period of 29 consecutive days or less.

If the vacation rental is in residential zoning, you **do not** occupy the residence during the time period when the property is rented, and the facility **is not** a hotel, motel, or bed and breakfast the following apply:

1. Transaction Privilege Tax License issued by the Arizona Department of Revenue
2. Vacation Rental Registration with the City of Prescott
3. Operational Requirements and Standard Conditions in City Code 4-9

If you occupy and reside at the residence during the time period when the rooms are rented, or the property is in commercial zoning, or the facility operates as a hotel, motel, or bed and breakfast the following licenses apply:

1. Transaction Privilege Tax License issued by the Arizona Department of Revenue

OPERATIONAL REQUIREMENTS AND STANDARD CONDITIONS FOR VACATION RENTALS

The owner or agent for vacation rentals will be responsible for ensuring compliance with the operational requirements and standard conditions set forth in Prescott City Code 4-9. The primary purpose of this regulation is to mitigate short-term rental type impacts on residential neighborhoods.

The following are some important highlights of the requirements and standards for vacation rentals (review the City Code for the detailed list):

- Maximum overnight occupancy of the vacation rental unit is specified as two persons plus an additional two persons per bedroom (thirteen years of age and older).
- A local contact person with a 24 hour phone number is required who can respond in-person to the site of the vacation rental within 45 minutes to initial or successive complaints.**
- Prior to occupancy, the local contact person shall provide the responsible person of a vacation rental with the following information (this information must also be posted in a conspicuous place within the unit):
 - Good Neighbor Brochure (available on the City's website or pick up in City Hall)
 - Name of the local contact person and 24-hour phone number.
 - A copy of the combined business license/vacation rental certificate.
 - Maximum overnight occupancy and notification that failure to conform is a violation of City Code 4-9.
 - Trash pickup day and applicable rules pertaining to leaving or storing trash or refuse on the exterior of the property
 - Notice that noise levels shall not exceed those described in City Code 5-4
 - City Code Chapter 4-9.
 - Notice that the occupant may be cited or fined for creating a disturbance or for violating other provisions of the chapter
- Prior to occupancy, the owner or owner's agent shall enter into a written rental agreement as specified in City Code 4-9-6(G).
- The owner is required to notify all property owners directly adjacent to the rental that the

property is used as a vacation rental including the name and 24 hour telephone number of the local contact person. A template letter is available on the City's website.

INFORMATION REQUIRED FOR VACATION RENTAL REGISTRATION

Among other information, the following will be requested at application:

- The name, address, and twenty-four (24) hour telephone number of the local contact person.
- Evidence that the applicant has provided the name and twenty-four (24) hour telephone number of the local contact person to all property owners directly adjacent to the property. An example of evidence could be a copy of the letter and the mailing list.
- The number of bedrooms in the vacation rental unit.
- A valid transaction privilege tax license number issued by the Arizona Department of Revenue for the vacation rental unit.

WHAT ARE THE FEES TO REGISTER MY VACATION RENTAL?

The total fee for a vacation rental registration initial application is \$95, consisting of a \$30 annual vacation rental registration fee, and a one-time \$65 fee for the health/safety inspection. In subsequent years the fee for renewal will be \$30.

HOW DO I REGISTER MY VACATION RENTAL?

Visit www.prescott-az.gov to apply for a vacation rental registration online. Registration fees are due at time of application. Before issuing a vacation rental registration certificate, the rental will require a health/safety inspection by the building department.

TRANSACTION PRIVILEGE TAX

All licensing and collection of transaction privilege is administered by the Arizona Department of Revenue. Their online portal for licensing, reporting, and payment of sales taxes is www.aztaxes.gov.

As a vacation rental operating in the City limits, you will be required to collect and remit transaction privilege (sales) tax on gross income derived from the business activity.

The City transaction privilege tax rate is 2.95% of the gross income. For all rental activity for a period of 29 consecutive days or less, there is an additional tax of 3% called transient occupancy or "bed tax".

All transient occupancy transactions are also subject to a state tax of 6.325%. The business codes for reporting the tax are summarized below:

<u>Business</u>	<u>Code</u>	<u>Tax Rate</u>
Transient (<30 days)		
Lodging-Hotels - City	044	2.95%
Transient Lodging - City	144	3%
Transient Lodging - State	025	6.325%
Total		12.275%

If the rental activity is for a period of 30 days or more, the taxable transaction would be classified as residential rental. In that case, the total tax rate is only 2%. There is no state tax on residential rental. The business code for reporting residential rental is 045.

OTHER POSSIBLE LICENSES OR PERMITS REQUIRED

- Police Department: Registration of security/fire alarm
- Community Development: sign permits/building permits

To view a complete copy of the City code, please go to: <http://www.prescott-az.gov>

City Manager Department

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This publication is for general information regarding business license requirements and Transaction Privilege (Sales Tax). For complete details, refer to the City of Prescott Privilege & Use Tax Code and related regulations. In the case of an inconsistency or omission in this publication, the language of the Model City Tax Code will prevail.

