

# 2015-2016 Licensing and Reporting Transition Guidance for Residential Rental Property Managers

Cities and Towns recognize the unique difficulties that changing to uniform licensing and tax return filing places on Property Managers, who have historically been treated in a variety of ways by the individual jurisdictions. All Cities and Towns agree to view 2015 as a transition year from the existing varied practices to uniform implementation. To facilitate this transition as much as possible, the Cities and ADOR agree to treat Property Managers and their Property Owner clients as follows:

## Effective for 2015:

- Property Managers are allowed to continue filing tax returns in the same manner they did for each City and ADOR in 2014. That is, if one jurisdiction only required a single tax return from the Property Manager each month, that practice can continue through 2015. Alternatively, if another jurisdiction required separate reporting by each Owner or each property, that requirement will also continue. The net effect should be the status quo for tax reporting is allowed for 2015.
- Property Managers that hold the license with a city which did not license individual Owners in 2014 does not need to have all of their Owners complete license applications and pay license fees by January 30, 2015 as previously requested, because these are not considered license renewals. We do ask that Property Managers in this situation please provide a list to the city not later than February 28, 2015 that identifies each of the Owners and their properties so the Cities can begin the process of creating these new records for consolidation with the ADOR system.
- Not later than June 30, 2015, all individual Owners must have complete license applications on file with the Non-Program Cities, or with ADOR for properties located in Program Cities. As long as new license fees for these Owners are paid by June 30, 2015, Cities will not assess any penalty for failure to file a timely complete application. This proactive penalty waiver only applies in those Cities that only licensed the Property Manager without requiring a separate license per Owner. Wherever possible, filing applications via online tax portals is definitely encouraged. The Non-Program Cities have further agreed to accept an Excel spreadsheet that lists all required application information for Owners and properties in lieu of filing paper applications.
- Any Owner formerly reported under a Property Manager's license that has already become licensed doesn't need to do anything. ADOR and the Cities will continue to accept Property Manager tax returns through 2015 if they were allowed in 2014. However, Property Managers can choose to begin filing a separate return per Owner as soon as the Owner has filed a completed license application. They can also choose to have their Owners file and pay the taxes due independently. This is an issue solely between the Property Manager and the Owner regarding the level of services the Property Manager provides. The Cities strongly urge Property Managers that continue to provide tax services to begin filing separately by Owner as they become licensed, to ease into the uniform treatment that will be required in 2016.
- Any auditing that is done for the 2015 calendar year will be done in a manner consistent with the chosen method of reporting and the Broker provision in the Model City Tax Code, just as before.

## Effective for 2016:

- All license renewals and tax returns will be processed by ADOR.
- Every Owner must be separately licensed and identify each separate property as a separate business location.
- Every Owner must file a separate tax return. The return can be filed and paid directly by the Owner or by the Property Manager on their behalf. This is an issue of services provided between the Property Manager and the Owner.
- Property Managers that file returns on behalf of an Owner must provide a POA, or have inserted language to that effect in their contract with the Owner and entered into an MOU with ADOR.