

ARIZONA DEPARTMENT OF REVENUE

ARIZONA INDIVIDUAL INCOME TAX RULING

ITR 94-6

(Supersedes Arizona Income Tax Ruling No. 85-10-1)

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

ISSUES:

Should an Arizona housing authority administered and controlled by the cities or counties of Arizona furnish its tenants with a Renter's Certificate of Property Taxes Paid (RPTC)?

When the property is subject to property taxes, should the property tax factor supplied to the tenant by an Arizona housing authority reflect only that portion of the factor attributable to the tenant's portion of the rental payments?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-1072 provides a credit for property taxes or rent paid by Arizona resident individuals who meet specified income and age requirements.

A.R.S. § 43-1072.C requires the owner or lessor of property leased or rented solely for residential purposes to furnish to the tenants of the property, upon request, a written statement of the percentage of rental payments that are attributable to property tax.

DISCUSSION:

When the property tax credit is claimed by an individual who is a renter, that individual must be able to determine what amount of his or her rental payments was attributable to property taxes. In order for a tenant to make this determination, the owner or lessor of the property must, upon the tenant's request, furnish the tenant with a written statement of the percentage of rental payments that are attributable to property tax on the tenant's unit. For this purpose, the department has prescribed the Arizona Form 201 (RPTC) as the form upon which an owner or lessor is required to furnish such information to tenants.

When the owner or lessor of property is an Arizona housing authority administered by an Arizona city or county, the rental property may or may not be subject to property

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taxes. If the property is not subject to property taxes, no part of the tenant's rental payments would be attributable to property taxes and the tenant would not be eligible for the property tax credit. However, if the property is subject to property taxes, a portion of the tenant's rental payments would be attributable to property taxes and, upon the tenant's request, the housing authority must furnish the tenant with a completed Arizona Form 201 (RPTC).

If the tenant's required rental payments to the housing authority are less than the actual amount charged for the rental of the unit, the property tax factor supplied to the tenant must be prorated to reflect only that portion of the factor which is attributable to the tenant's portion of the rental payments.

Example:

A tenant who rents from a housing authority pays \$100 a month rental payments to the housing authority. The housing authority pays the owner of the rental unit \$300 a month. The total yearly rent for the unit is \$3,600, of which \$1,200 is the tenant's portion. The owner of the rental unit supplies the housing authority with a property tax factor of ten percent. The housing authority must then prorate this factor to reflect only that portion of the factor which is attributable to the tenant's portion of the rental payments. Therefore, the housing authority supplies the tenant with a property tax factor of 3.3 percent, computed as follows:

Rent paid by tenant	\$1,200
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Divided by total rent paid	\$3,600
Equals	33%

(property tax factor) 10% X (% of rent paid by tenant) 33% =
(property tax factor of tenant) 3.3%

RULING:

If no part of a tenant's actual rental payments are attributable to property taxes because the property is not subject to property taxes, the housing authority should not furnish Form 201 (RPTC) to the tenant since such a tenant is not eligible for the property tax credit.

If the property is subject to property taxes, a portion of the tenant's rental payments would be attributable to property taxes and the housing authority is required to furnish Form 201 (RPTC) to the tenant. When the tenant's required rental payments to the housing authority are less than the actual amount charged for the rental of the unit, the

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property tax factor supplied to the tenant must be prorated to reflect only that portion of the factor which is attributable to the tenant's portion of the rental payments.

This ruling supersedes Arizona Income Tax Ruling No. 85-10-1.

Harold Scott, Director

Signed: April 26, 1994

Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.