



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1168

vacation rentals; short-term rentals; enforcement

Purpose

Allows a city, town or county (local government) to regulate a vacation or short-term rental by requiring an owner to maintain liability insurance. Caps the civil penalties imposed for a verified violation. Allows the Arizona Department of Revenue (ADOR) to suspend a vacation or short-term rental owner's transaction privilege tax (TPT) license.

Background

A local government may not restrict the use of or regulate a vacation or short-term rental based on its classification, use or occupancy, except to: 1) protect the public's health and safety; 2) adopt and enforce residential use and zoning ordinances, including ordinances related to noise, protection of welfare, property maintenance and other nuisance issues; and 3) limit or prohibit the use of a vacation or short-term rental for specified purposes. A local government residential use and zoning ordinance must be applied to a vacation or short-term rental in the same manner as other class 3 and class 4 property (A.R.S. §§ [9-500.39](#) and [11-269.17](#)).

A vacation or short-term rental owner or online lodging operator must pay a civil penalty for a verified violation of the prohibition on using the vacation or short-term rental for nonresidential uses or of state law or local ordinance regulating a vacation or short-term rental. If the local government did not impose a civil penalty, a vacation or short-term rental owner or online lodging operator must pay: 1) \$500 for the first verified violation; 2) \$1,000 for a second verified violation within 12 months on the same property; and 3) the greater of \$1,500 or 50 percent of the gross monthly revenues for the month in which the violation occurs for a third or subsequent violation within 12 months on the same property. If the local government imposed a civil penalty, the vacation or short-term rental owner or online lodging operator must pay the difference between the statutory amount and the amount of the civil penalty the local government imposed ([A.R.S. § 42-1125.02](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Removes the residential use and zoning limitation on ordinances that a local government may adopt and enforce.
2. Allows a local government to require the owner of a vacation or short-term rental to:
 - a) maintain liability insurance appropriate to cover the rental in the aggregate of at least \$500,000; or
 - b) advertise and offer each rental through an online lodging marketplace that provides equal or greater coverage.

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3. Allows ADOR, after notice and hearing, to suspend for a period of one year the TPT license of a vacation or short-term rental owner that receives three verified violations related to the same rental within the same 12-month period.
4. Eliminates the civil penalties imposed on an online lodging operator by ADOR for a verified violation.
5. Removes the requirement for a local government to notify ADOR and the owner of a vacation or short-term rental regarding a verified violation.
6. Caps, at \$1,000, the civil penalty a local government may impose on a vacation or short-term rental owner for every 30 days the owner fails to provide contact information as required by law.
7. Requires a local government to provide 30 days' notice to the owner before imposing the initial civil penalty relating to contact information.
8. Caps the civil penalty a local government may impose against a vacation or short-term rental owner for a verified violation as follows:
 - a) \$500 or up to an amount equal to one night's rent for the rental as advertised on an online lodging marketplace, whichever is greater, for the first verified violation;
 - b) \$1,000 or an amount equal to two nights' rent for the rental as advertised on an online lodging marketplace, whichever is greater, for the second violation in a 12-month period; and
 - c) \$3,500 or an amount equal to three nights' rent for the rental as advertised on an online lodging marketplace, whichever is greater, for the third and any subsequent violation in a 12-month period.
9. Eliminates timeshares from the definition of *vacation rental* or *short-term rental*.
10. Defines terms.
11. Makes technical and conforming changes.
12. Becomes effective on the general effective date.

Prepared by Senate Research

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JT/sr