



# ARIZONA HOUSE OF REPRESENTATIVES

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Senate: COM DP 8-0-1-0 | 3<sup>rd</sup> Read 22-6-2-0

House: COM DPA 9-0-0-1

## **SB 1168: vacation rentals; short-term rentals; enforcement**

**Sponsor: Senator Mesnard, LD 17**

**Caucus & COW**

### **Overview**

Outlines further regulations of vacation or short-term rentals and restructures the civil penalties for verified violations.

### **History**

A city, town or county (local government) may not restrict the use of or regulate vacation or short-term rentals based on their classification, use or occupancy, except to: 1) protect the public's health and safety; 2) adopt and enforce residential use and zoning ordinances; and 3) limit or prohibit the use of a rental for specified purposes.

Local governments are statutorily required to, within 30 days after a verified violation, notify the Department of Revenue (DOR) and the vacation or short-term rental owner of the violation and whether a civil penalty has been imposed. A *verified violation* is a finding of guilt or civil responsibility for violating any state law or local ordinance that has been finally adjudicated (A.R.S. §§ [9-500.39](#) and [11-269.17](#)).

Pursuant to [A.R.S. § 42-1125.02](#), DOR may impose civil penalties for an online lodging or a vacation or short-term rental owner that receives a verified violation. If the local government did not impose a civil penalty, the owner or operator must pay: 1) \$500 for the first verified violation; 2) \$1,000 for a second verified violation within a 12-month period; or 3) the greater of \$1,500 or 50% of the gross monthly revenues for the month the violation occurs, for a third or subsequent violation within a 12-month period. If the local government imposed a civil penalty, the owner or operator must pay the difference between the statutory amount and the amount of the civil penalty the local government imposed.

### **Provisions**

1. Caps the civil penalties a local government may impose on a vacation or short-term rental owner within the same 12-month period as follows:
  - a) The greater of \$500 or one-night's rent, as advertised on an online lodging marketplace, for the first verified violation;
  - b) The greater of \$1,000 or two-night's rent, as advertised on an online lodging marketplace, for the second verified violation on the same property; and
  - c) The greater of \$3,500 or three-night's rent, as advertised on an online lodging marketplace, for the third and any subsequent verified violation on the same property. (Sec. 1, 2)
2. Permits DOR, after proper notice and hearing, to suspend for one year the TPT license of a vacation or short-term rental owner that has three verified violations within the same 12-month period. (Sec. 1, 2, 4)

Prop 105 (45 votes)     Prop 108 (40 votes)     Emergency (40 votes)     Fiscal Note

3. Allows a local government to require a vacation or short-term rental owner 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 a hosting platform that provides equal or greater coverage. (Sec. 1, 2)
4. Authorizes a local government to impose a civil penalty of up to \$1,000 for every 30 days a vacation or short-term rental owner's failure to provide required contact information. (Sec. 1, 2)
5. Directs a local government to provide a vacation or short-term rental owner 30 days' notice prior to imposing an initial penalty for failure to provide required contact information. (Sec. 1, 2)
6. Removes language relating to the requirement for notifying DOR and the vacation or short-term rental owner of verified violations. (Sec. 1, 2)
7. Restates multiple verified violations that arise out of the same incident are considered one verified violation when assessing civil penalties or suspending a TPT license. (Sec. 1, 2)
8. Repeals laws relating to civil penalties imposed by DOR. (Sec. 3)
9. Removes the limitations on the types of ordinances that a local government may adopt and enforce. (Sec. 1, 2)
10. Provides a definition for *online lodging marketplace*. (Sec. 1, 2)
11. Removes timeshare from the definition of *vacation rental* or *short-term rental*. (Sec.1, 2)
12. Prescribes civil penalties for online lodging operators who fail to comply with certain advertisement requirements. (Sec. 4)

### **Amendments**

#### *Committee on Commerce*

1. Reinserts the authority of a local government to adopt and enforce ordinances relating to residential use and zoning.
2. Permits a local government to require an owner of a rental to obtain a local regulatory permit or license specifies the information that may be provided in the application for the permit or license.
3. Permits a local government to require the owner of a rental to notify certain residential property owners.
4. Clarifies the required liability insurance may be provided by the rental owner or an online lodging marketplace.
5. Instructs a local government that requires a local regulatory permit or license to issue or deny the permit or license within seven business days of receipt of the required information and specifies the conditions in which a permit or license may be denied.
6. Clarifies a local government may adopt an ordinance that provides for the imposition of civil penalties for verified violations.
7. Requires, rather than allows, DOR to suspend a TPT license for three verified violations and adds that the suspension only applies to the rental that received the three violations.
8. Exempts an *owner-occupied* rental from the local regulatory permit or license requirement.
9. Defines *owner-occupied* and *onsite*.

10. Makes further clarifying changes.