



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

AMENDED
FACT SHEET FOR S.B. 1168

vacation rentals; short-term rentals; enforcement

Purpose

Adds to the authorizations for a city, town or county (local government) to regulate a vacation or short-term rental, including a regulatory permit or license, notifications and liability insurance. Caps the civil penalties imposed for a verified violation.

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

Regulatory Authority

1. 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.

2. Allows a local government to require the owner or owner's designee, before offering a vacation or short-term rental for rent for the first time, to notify all single-family residential properties adjacent to, directly and diagonally across the street from the vacation or short-term rental.
3. Deems notification sufficient in a multi-family residential building if given to residents on the same building floor.
4. Allows a local government to require additional notification if the contact information previously provided changes.
5. Requires, for a notification to be in compliance, to include:
 - a) the permit or license number, if required by the local government;
 - b) the address; and
 - c) emergency contact information.
6. Requires the owner or owner's designee to demonstrate compliance with the notification requirements by providing the local government with an attestation of notification compliance with the following information:
 - a) the permit or license number, if required by the local government;
 - b) the address of each property notified;
 - c) a description of the manner in which the owner or owner's designee chose to provide notification to each property subject to notification; and
 - d) the name and contact information of the person attesting to compliance with the notification requirement.
7. Allows a local government to require the owner or owner's designee of a vacation or short-term rental to display the local regulatory permit or license number, if any, on each advertisement for a rental that the owner or owner's designee maintains.
8. Allows a local government that does not require a local regulatory permit or license to require the owner or owner's designee of a vacation or short-term rental to display the required transaction privilege tax (TPT) license on each advertisement for a rental the owner or owner's designee maintains.
9. Requires a local government that requires sex offender background checks on vacation or short-term rental guest to waive the requirement if an online lodging marketplace performs a sex offender background check of the booking guest.
10. Eliminates the specification that a local government's regulation of a vacation or short-term rentals to protect the public's health and safety includes the designation of an emergency point of contact.
11. Specifies that the contact information that may be required by a local government for a vacation or short-term rental is an emergency point of contact.
12. Specifies that the emergency point of contact is for responding to complaints and emergencies, rather than only complaints.

13. Specifies that the emergency point of contact is responsible for responding to complaints or emergencies in person if required by public safety personnel.
14. Specifies that a local government may require the vacation or short-term rental to maintain liability insurance, rather than the owner of a vacation rental or short-term rental.
15. Specifies that a county is authorized to regulate, in accordance with statute, vacation or short-term rentals within the unincorporated areas of the county.

Regulatory Permit or License

16. Allows a local government to require an owner of a vacation or short-term rental to obtain and maintain a local regulatory permit or license.
17. Allows the application for the permit or license, as a condition of issuance, to only require an applicant to provide the following:
 - a) name, address, phone number and email address for the owner or owner's agent;
 - b) address of the vacation or short-term rental;
 - c) proof of compliance with TPT licensure.
 - d) emergency contact information;
 - e) acknowledgement of an agreement to comply with all applicable laws, regulations and ordinances; and
 - f) a fee not to exceed the actual cost of issuing the permit or license or \$250, whichever is less.
18. Requires 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 required information and otherwise in accordance with regulatory requirements.
19. Allows a local government to deny the issuance of a permit or license only for the following reasons:
 - a) failure to provide required information;
 - b) failure to pay the required permit or license fee;
 - c) at the time of application the owner has a suspended permit or license for the same vacation or short-term rental;
 - d) the applicant provides false information; and
 - e) the owner or owner's designee of a vacation or short-term rental is a registered sex offender or has been convicted of any criminal act that resulted in death or serious injury or any criminal use of a deadly weapon within the past five years.
20. Requires a local government that requires a permit or license to adopt an ordinance to allow the local government to initiate an administrative process to suspend a permit or license for up to 12 months for three verified violations within a 12-month period, not including any verified violation based on an aesthetic, solid waste disposal or vehicle parking or similar violation that is not a serious threat to public health and safety.

21. Requires a local government that requires a permit or license to adopt an ordinance to allow the local government to initiate an administrative process to suspend a permit or license for up to 12 months for one verified violation that results in or constitutes any of the following:
 - a) a felony offense committed at a vacation or short-term rental by the owner or owner's designee;
 - b) a serious physical injury or wrongful death at or related to a vacation or short-term rental resulting from the knowing, intentional or reckless conduct of the owner or owner's designee;
 - c) an owner or owner's designee knowingly or intentionally housing a sex offender, allowing offenses related to adult-oriented businesses, sexual offenses or prostitution or operating or maintaining a sober living home, in violation of an adopted regulation or ordinance; and
 - d) an owner or owner's designee knowingly or intentionally allowing the use of a vacation or short-term rental for a special event that would otherwise require a permit or license in accordance with an ordinance or a state law or rule or for a retail, restaurant, banquet space or similar use.
22. Requires a vacation or short-term rental to cease operation for failing to apply for a local regulatory permit or license within 30 days of the application process being made available by the local government issuing such permits or licenses.

Penalties

23. Specifies that multiple verified violations arising out of the same response to an incident at a vacation or short-term rental are considered one verified violation for the purpose of assessing civil penalties or suspending the regulatory permit or license.
24. Requires any attempted or completed criminal act arising from the occupancy or use of a vacation or short-term rental that results in a death, or actual or attempted serious physical injury to be grounds for judicial relief in the form of a suspension of the property's use as a vacation or short-term rental for a period of time not more than 12 months.
25. Eliminates the civil penalties imposed on an online lodging operator by the Arizona Department of Revenue (ADOR) for a verified violation.
26. Removes the requirement for a local government to notify ADOR and the owner of a vacation or short-term rental regarding a verified violation.
27. 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.
28. Requires a local government to provide 30 days' notice to the owner before imposing the initial civil penalty relating to contact information.
29. Allows a local government to impose a civil penalty of up to \$1,000 per month against the owner if the owner or owner's designee fails to apply for a regulatory permit or license within 30 days after receiving written notice of the failure to comply.

30. Caps the civil penalty a local government may impose against a vacation or short-term rental owner for a verified violation as follows:
- a) up to \$500 or up to an amount equal to one night's rent for the rental as advertised, whichever is greater, for the first verified violation;
 - b) up to \$1,000 or up to an amount equal to two nights' rent for the rental as advertised, whichever is greater, for the second violation in a 12-month period; and
 - c) up to \$3,500 or up to an amount equal to three nights' rent for the rental as advertised, whichever is greater, for the third and any subsequent violation in a 12-month period.

Miscellaneous

31. Eliminates timeshares from the definition of *vacation rental* or *short-term rental*.
32. Defines terms.
33. Makes technical and conforming changes.
34. Becomes effective on the general effective date.

Amendments Adopted by the House of Representatives

1. Restores the authority of a local government to adopt and enforce ordinances relating to residential use and zoning.
2. Eliminates the specification that a local government's regulation of a vacation or short-term rentals to protect the public's health and safety includes the designation of an emergency point of contact.
3. Specifies that the contact information that may be required by a local government for a vacation or short-term rental is an emergency point of contact.
4. Specifies that the emergency point of contact is for responding to complaints and emergencies, rather than only complaints.
5. Specifies that the emergency point of contact is responsible for responding to complaints or emergencies in person if required by public safety personnel.
6. Specifies that a local government may require the vacation or short-term rental to maintain liability insurance, rather than the owner of a vacation rental or short-term rental.
7. Allows a local government to require an owner of a vacation or short-term rental to obtain and maintain a local regulatory permit or license.
8. Allows the application for the permit or license, as a condition of issuance, to only require an applicant to provide the following:
 - a) name, address, phone number and email address for the owner or owner's agent;
 - b) address of the vacation or short-term rental;
 - c) proof of compliance with TPT licensure.
 - d) emergency contact information;
 - e) acknowledgement of an agreement to comply with all applicable laws, regulations and ordinances; and
 - f) a fee not to exceed the actual cost of issuing the permit or license or \$250, whichever is less.

9. Allows a local government to require the owner or owner's designee, before offering a vacation or short-term rental for rent for the first time, to notify all single-family residential properties adjacent to, directly and diagonally across the street from the vacation or short-term rental.
10. Deem sufficient in a multi-family residential building if given to residents on the same building floor.
11. Allows a local government to require additional notification if the contact information previously provided changes.
12. Requires, for a notification to be in compliance, to include:
 - a) the permit or license number, if required by the local government;
 - b) the address; and
 - c) emergency contact information.
13. Requires the owner or owner's designee to demonstrate compliance with the notification requirements by providing the local government with an attestation of notification compliance with the following information:
 - a) the permit or license number, if required by the local government;
 - b) the address of each property notified;
 - c) a description of the manner in which the owner or owner's designee chose to provide notification to each property subject to notification; and
 - d) the name and contact information of the person attesting to compliance with the notification requirement.
14. Allows a local government to require the owner or owner's designee of a vacation or short-term rental to display the local regulatory permit or license number, if any, on each advertisement for a rental that the owner or owner's designee maintains.
15. Allows a local government that does not require a local regulatory permit or license to require the owner or owner's designee of a vacation or short-term rental to display the required TPT license on each advertisement for a rental the owner or owner's designee maintains.
16. Requires 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 required information and otherwise in accordance with regulatory requirements.
17. Allows a local government to deny the issuance of a permit or license only for the following reasons:
 - a) failure to provide required information;
 - b) failure to pay the required permit or license fee;
 - c) at the time of application the owner has a suspended permit or license for the same vacation or short-term rental;
 - d) the applicant provides false information; and
 - e) the owner or owner's designee of a vacation or short-term rental is a registered sex offender or has been convicted of any criminal act that resulted in death or serious injury or any criminal use of a deadly weapon within the past five years.

18. Requires a local government that requires a permit or license to adopt an ordinance to allow the local government to initiate an administrative process to suspend a permit or license for up to 12 months for three verified violations within a 12-month period, not including any verified violation based on an aesthetic, solid waste disposal or vehicle parking or similar violation that is not a serious threat to public health and safety.
19. Requires a local government that requires a permit or license to adopt an ordinance to allow the local government to initiate an administrative process to suspend a permit or license for up to 12 months for one verified violation that results in or constitutes any of the following:
 - a) a felony offense committed at a vacation or short-term rental by the owner or owner's designee;
 - b) a serious physical injury or wrongful death at or related to a vacation or short-term rental resulting from the knowing, intentional or reckless conduct of the owner or owner's designee;
 - c) an owner or owner's designee knowingly or intentionally housing a sex offender, allowing offenses related to adult-oriented businesses, sexual offenses or prostitution or operating or maintaining a sober living home, in violation of an adopted regulation or ordinance; and
 - d) an owner or owner's designee knowingly or intentionally allowing the use of a vacation or short-term rental for a special event that would otherwise require a permit or license in accordance with an ordinance or a state law or rule or for a retail, restaurant, banquet space or similar use.
35. Requires any attempted or completed criminal act arising from the occupancy or use of a vacation or short-term rental that results in a death, or actual or attempted serious physical injury to be grounds for judicial relief in the form of a suspension of the property's use as a vacation or short-term rental for a period of time not more than 12 months.
20. Requires a local government that requires sex offender background checks on vacation or short-term rental guest to waive the requirement if an online lodging marketplace performs a sex offender background check of the booking guest.
21. Removes the authorization for ADOR, after notice and hearing, to suspend for a period of 12 months the TPT license of the owner of a vacation or short-term rental or online lodging owner if the owner receives three verified violations related to the same rental within the same 12-month period.
22. Requires a vacation or short-term rental to cease operation for failing to apply for a local regulatory permit or license within 30 days of the application process being made available by the local government issuing such permits or licenses.
23. Allows a local government to impose a civil penalty of up to \$1,000 per month against the owner if the owner or owner's designee fails to apply for a regulatory permit or license within 30 days after receiving written notice of the failure to comply.
24. Specifies that a county is authorized to regulate, in accordance with statute, vacation or short-term rentals within the unincorporated areas of the county.

25. Specifies that multiple verified violations arising out of the same response to an incident at a vacation or short-term rental are considered the same for suspending the regulatory permit or license, rather than suspending the owner's TPT license.
26. Modifies the civil penalties a local government may impose against an owner of a vacation or short-term rental if the owner receives one or more verified violations related to the same rental property within a 12-month period to be:
- a) up to \$500 or up to an amount equal to one night's rent for the rental as advertised, whichever is greater, for the first verified violation;
 - b) up to \$1,000 or up to an amount equal to two nights' rent for the rental as advertised, whichever is greater, for a second verified violation within a 12-month period; and
 - c) up to \$3,500 or up to an amount equal to three nights' rent for the rental as advertised, whichever is greater, for a third or any subsequent verified violation within a 12-month period.
27. Makes technical and conforming changes.

Senate Action

COM 2/9/22 DP 8-0-1
3rd Read 2/23/22 22-6-2

House Action

COM 3/22/22 DPA 9-0-0-1
3rd Read 6/23/22 41-9-10

Prepared by Senate Research
June 24, 2022
JT/sr