

Government Property Lease Excise Tax (GPLET) Overview and Instructions for the ADOR 82620 Return Form

Note: Statutory citations referenced are available on-line at <https://www.azleg.gov/> or in most public libraries.

A.R.S. §§ 42-6201 through 42-6210 govern the Government Property Lease Excise Tax (GPLET). They require the Government Lessor of government property improvements to annually file a GPLET Return form with the County Treasurer of the county in which the government property is located, and to provide a copy of the Return to the Prime Lessee.

The GPLET is based on the square footage of a building that is occupied or used by a lessee, including the number of parking spaces in a parking garage or deck occupied or used by the lessee, if applicable, or on the number of parking spaces in a parking garage or deck that is the sole subject of the lease. It is **not** a property tax based on the ad valorem value of an improvement.

The GPLET is due and payable to the County Treasurer of the county in which a subject property is located on or before December 1 of each calendar year. The GPLET Return form (**ADOR 82620**) is available from the County Treasurer's office sixty days before the excise taxes are due and payable. (i.e., October 1)

Definitions

See A.R.S. § 42-6201

Government Lessor:

A city, town, county or county stadium district.

Government Property Improvement:

A building for which a Certificate of Occupancy (or, a C of O) has been issued, for which the title of record is held by a Government Lessor, that is situated on land for which the title of record is held by a Government Lessor or a political subdivision of this state and that is available for use for any commercial, residential-rental or warehouse/industrial purposes, including, but not limited to, office, retail, restaurant, service business, hotel/motel, entertainment, recreational or parking uses.

Gross Building Space:

The total floor area of a building measured from the exterior of the walls, but not including unenclosed areas.

Prime Lessee:

Any person, partnership, corporation, company, limited liability company, joint venture or other organization or association that enters into a lease directly with a Government Lessor to develop or occupy for at least thirty consecutive days a government property improvement, regardless of whether the improvement is actually used by the prime lessee or by one or more sublessees.

Application of the GPLET

The GPLET will apply if:

The improvement (a building or a parking structure) is owned by a city, town, county or county stadium district.

The improvement is leased wholly or in part by a private-party lessee.

The leased space is used for commercial or warehouse/industrial purposes, including office, retail, restaurant, service business, hotel/motel, entertainment, residential-rental, recreational or parking uses.

The lease term is at least thirty days.

The age of the leased improvement is less than fifty years for properties subject to the provisions of A.R.S. § 42-6203(A).

The abatement provisions of the statutes are not applicable.

The exemption provisions of the statutes are not applicable.

The GPLET also applies to each Prime Lessee of a lease with the National Park Service.

Exempt GPLET Improvements
See A.R.S. § 42-6208

The exemption criteria are listed on Page 2 of the GPLET Return form (ADOR 82620).

Abatement Provisions
See A.R.S. § 42-6209 (As amended by
HB 2126, Second Regular Session 2018)

A. A city or town may abate the tax provided for under this article for a limited period beginning when the Certificate of Occupancy (C of O) is issued and ending eight years after the C of O is issued on a government property improvement that is constructed either before or after July 20, 1996 and that meets the following requirements:

1. The improvement is located in a single central business district in the city or town and is subject to a lease or development agreement entered into on or after April 1, 1985. For the purposes of this section:
 - a) A city or town shall not designate more than one central business district within its corporate boundaries.
 - b) A city or town shall not approve or enter into a development agreement or lease for a government property improvement within one year after the designation of the central business district in which the improvement is located.
 - c) "Central business district" means a single and contiguous geographical area that is designated by resolution of the governing body of the city or town and that is geographically compact and not larger than the greatest of the existing total land area of the central business district of the city or town as of January 1, 2018, two and one-half percent of the total land area within the exterior boundaries of the city or town or nine hundred sixty acres. For the purposes of this subdivision, any central business district formed before January 1, 2018 is considered to be geographically compact. For the expanded areas of an existing central business district only and the new designation of a central business district formed on or after January 1, 2018 and for the purposes of this subdivision, "geographically compact" means a form or shape that has a length that is not more than twice its width as measured from at least four points on the exterior boundary of the expanded areas of an existing central business district or a central business district formed on or after January 1, 2018.

2. The improvement is located entirely within a slum or blighted area that is designated pursuant to title 36, chapter 12, article 3.
3. The government property improvement resulted or will result in an increase in property value of at least one hundred percent.

E. The designation of a slum or blighted area that is originally designated from and after September 30, 2018 and in which a central business district is located automatically terminates on the tenth anniversary after the designation unless the city or town formally renews or modifies all or part of the slum or blighted area designation. The termination of a slum or blighted area designation under this subsection does not affect any existing project described in section 35-701, paragraph 7, subdivision (a), item (ix) that is within the designated area. Before the tenth anniversary of its designation, the city or town shall review the area and, pursuant to the review, shall either renew, modify or terminate the designation. If the city or town renews or modifies the original designation, the slum or blighted area designation is subject to subsequent reviews on a ten-year cycle. If the city or town fails to renew or modify the designation, the slum or blighted area designation automatically terminates five years after the review. This subsection does not apply to leases or development agreements to lease government property if either of the following conditions is met with respect to any such excluded area:

1. The lease of the government property improvement was entered into before the termination or modification of the slum or blighted area designation.
2. A development agreement, ordinance or resolution was approved by the governing body of the government lessor before the termination or modification of the slum or blighted area designation that authorized a lease on the occurrence of specified conditions and the lease was entered into within five years after the date the development agreement was entered into or the ordinance or resolution was approved by the governing body.

F. Before October 1, 2020, each city or town shall review the designation of each slum or blighted area that was originally designated before September 30, 2018 and in which a central business district is located. All such slum or blighted areas in which a central business district is located are considered to be valid. Pursuant to the review, the city or town shall either renew, modify or terminate the designation. If the city or town renews or modifies the original designation, the slum or blighted area designation is subject to subsequent reviews on a ten-year cycle.

If the city or town fails to renew or modify the designation, the slum or blighted area designation automatically terminates from and after September 30, 2025, or five years after any subsequent review. The termination of a slum or blighted area designation under this subsection does not affect:

1. Any existing project described in section 35-701, paragraph 7, subdivision (a), item (ix) that is within the designated area.

2. Any lease or development agreement to lease government property if either of the following conditions is met with respect to the slum or blighted area:

a) The lease of the government property improvement was entered into before the termination or modification of the slum or blighted area designation.

b) A development agreement, ordinance or resolution was approved by the governing body of the government lessor before the termination or modification of the slum or blighted area designation that authorized a lease on the occurrence of specified conditions and the lease was entered into within five years after the date the development agreement was entered into or the ordinance or resolution was approved by the governing body.

G. Notwithstanding section 42-6206, subsection C, beginning with development agreements, ordinances or resolutions to lease government property improvements approved by the governing body of the government lessor from and after December 31, 2016, the lease period for a property for which the tax is abated under this section may not exceed eight years, including any abatement period, regardless of whether the lease is transferred or conveyed to subsequent prime lessees during that period. As soon as reasonably practicable but within twelve months after the expiration date of the lease, the government lessor must convey to the current prime lessee title to the government property improvement and the underlying land. Property conveyed to the prime lessee under this subsection does not qualify for classification as class six property or for any other discounted assessment regardless of the location or condition of the property. This subsection does not apply to leases or development agreements to lease government property if either of the following occurred before January 1, 2017:

1. A corresponding resolution or ordinance for the lease or intent to lease such property subject to this section was approved by the governing body of the government lessor.

2. A proposal was submitted to the government lessor in response to a request for proposals.

Park Property Lease Excise Tax
See A.R.S. § 42-6210

The GPLET also applies to each Prime Lessee of a lease with the National Park Service. The tax applies with the following provisions:

A. A county shall levy and collect an annual excise tax on each prime lessee of a lease with the national park service of the United States department of the interior of a property improvement located in the county.

B. The tax prescribed by this section shall be assessed, collected and distributed in the same manner as prescribed in this article for the government property lease excise tax, except that:

1. Section 42-6206 does not apply to a lease with the national park service.

2. The tax rate shall not be less than twenty per cent of the tax rate prescribed in section 42-6203, subsection A or B as applicable.

The ADOR 82620 Return Form Instructions

Return forms (**ADOR 82620**) are available from and are to be filed with, the County Treasurer of the county in which a leased government property improvement is located. A copy of the Return form should also be submitted to the Prime Lessee. The Government Lessor is to calculate the GPLET for each Prime Lessee.

County Treasurer contact information:

If the government property improvement is located in:	The GPLET Return form must be filed annually, on or before December 1, with:	Mohave County	Mohave County Treasurer P.O Box 712 Kingman, AZ 86402 (928) 753-0737
Apache County	Apache County Treasurer 75 W. Cleveland Street St. Johns, AZ 85936 (928) 337-7629	Navajo County	Navajo County Treasurer 100 E. Code Talkers Drive South Highway 77 Holbrook, AZ 86025 (928) 524-4172
Cochise County	Cochise County Treasurer 1415 Melody Lane Building E Bisbee, AZ 85603 (520) 432-8400	Pima County	Pima County Treasurer 240 N. Stone Avenue Tucson, AZ 85701 (520) 724-8341
Coconino County	Coconino County Treasurer 110 E. Cherry Avenue Flagstaff, AZ 86001 (928) 679-8188	Pinal County	Pinal County Treasurer 31 N. Pinal Street Building E Florence, AZ 85132 (520) 509-3555
Gila County	Gila County Treasurer 1400 E. Ash Street Globe, AZ 85501 (928) 425-3231	Santa Cruz County	Santa Cruz County Treasurer 2150 N. Congress Drive #104 Nogales, AZ 85621 (520) 375-7980
Graham County	Graham County Treasurer 921 Thatcher Boulevard Safford, AZ 85546 (928) 428-3440	Yavapai County	Yavapai County Treasurer 1015 Fair Street Prescott, AZ 86305 (928) 771-3233
Greenlee County	Greenlee County Treasurer 253 Fifth Street Clifton, AZ 85533 (928) 865-3422	Yuma County	Yuma County Treasurer 2550 S. 4th Ave. Suite A Yuma, AZ 85364 (928) 539-7781
Maricopa County	Maricopa County Treasurer 301 W. Jefferson Street Suite 100 Phoenix, AZ 85003 (602) 506-8511	La Paz County	La Paz County Treasurer 1112 S. Joshua Avenue Suite 203 Parker, AZ 85344 (928) 669-6145

Lessor/Lessee Information

The Government Lessor must complete **all** of the information requested in the **ADOR 82620** GPLET Return form.

Enter the Government Lessor's information in **Item 1**.

Enter the property's name (if applicable), street address and parcel number (if known) in **Item 2**.

Enter the Prime Lessee's information in **Item 3**.

Enter the date of the original Certificate of Occupancy (C of O) in **Item 4**.

Enter the lease's origination and termination dates in **Item 5**.

Indicate in **Item 6** whether or not the lease has been amended since the last return was filed. If it has been amended, submit a copy of the amended lease with the Return form, or provide the specific details of the amendments in a separate statement.

Improvement Information

The GPLET is predicated on the **predominate** use of a government property improvement by a Prime Lessee. Predominate use is defined by A.R.S. § 42-6203(F) as being "eighty-five percent or more" of the "functional area" of an improvement. If no predominate use can be identified, each use occurring on a property is to be taxed utilizing the excise tax rate applicable to each use occurring on that property. In all cases, parking spaces located in a parking garage or deck are taxed utilizing the applicable per parking space excise tax rate.

If there is a predominate use, check the appropriate property use in **Item 7** and enter the "gross building space" or the total square footage leased, and (if applicable) the number of parking spaces included in the lease. If the improvement consists of a Parking Garage or Deck only, enter the total number of parking spaces.

If there is **not** an identifiable predominate use by the Prime Lessee, indicate the individual uses of the improvement by selecting the appropriate property use categories in **Item 7** for each use of the improvement, and the square footage devoted to each of the uses, and (if applicable) the total number of parking spaces included in the lease. If additional space is needed, attach a separate page to the Return form.

Certification

Indicate in **Item 8** of the Return form whether or not this is an **initial-year** return being filed for the property. (i.e., is this the first year for which a Return form will be filed in regard to the leased government property improvement.)

Pursuant to A.R.S. § 42-6204(B)(3), a "certified statement" of "gross building space" (or, of total building square footage) and the number of parking spaces subject to the lease, if applicable, or the number of spaces in a separate Parking Garage or Deck, that has been produced by a person who is "professionally credentialed" in Arizona as an architect, general contractor, surveyor or appraiser may be submitted with an **initial-year** Return form. If a "certified statement" has been produced, provide a copy of that document to the County Treasurer as an attachment to the **initial-year** Return form.

In **Item 9**, does the Prime Lessee claim that their use of a government property improvement is **exempt** from the excise tax pursuant to A.R.S. § 42-6208, paragraphs 1-15 located on Page 2 of the Return form? If yes, enter the applicable paragraph number.

Indicate in **Item 10** of the Return form whether or not the Prime Lessee is claiming that an **abatement** of the excise tax currently applies. If claiming that an abatement now applies, note the date on which the abatement was approved and the date on which the abatement terminates.

The Prime Lessee needs to sign the Return form where indicated, certifying, under penalty of perjury, that the "gross building space", or the total square footage of the improvement, and the total number of parking spaces within a parking structure and subject to the lease (or the number of parking spaces in a separate Parking Garage or Deck) as stated in **Item 7** of the Return form, have not changed from the previous year's reported figures. If applicable, the Prime Lessee's signature also certifies, under penalty of perjury, that all elements necessary to qualify for an excise tax abatement are satisfied for the calendar year/tax year covered by the Return.

If the Prime Lessee's use of the government property improvement is not exempt or currently abated, enter the calculated excise tax amount from the Government Property Lease Excise Tax Worksheet (**ADOR 82620-W**) in **Item 11**.

Excise Tax Calculation – Worksheet Instructions

Determine which of the two GPLET Rate Charts (Chart A or Chart B) to utilize to calculate the excise tax. Please refer to the Excise Tax Rate Chart Criteria listed on page 7.

Next, determine which section of the Government Property Lease Excise Tax Worksheet to complete.

For properties that **have a predominate use**, as indicated in **Item 7** of the Return form, complete Section 1 of the Government Property Lease Excise Tax Worksheet.

For properties that **do not have a predominate use**, as indicated in **Item 7** of the Return form, complete Section 2 of the Government Property Lease Excise Tax Worksheet.

Excise Tax Rate Chart Criteria

For government property improvements with leases that were entered into **before June 1, 2010**; or, for a development agreement, ordinance or resolution approved by the governing body of a government lessor **before June 1, 2010** that authorized a lease which was entered into within ten years after the date of the agreement, ordinance or resolution, use Tax Rate Chart A, pages 3 and 4. See also A.R.S. § 42-6203(A).

Please Note:

Any new leases entered into **after August 9, 2017** (*where Rate Chart A applies*) must be reviewed and verified by the Arizona Department of Revenue to be in compliance with the provisions of A.R.S. § 42-6203(A). For these leases please attach a copy of the Arizona Department of Revenue Document Submittal/Compliance Review form (**ADOR 82620-C**) noting the lease is in compliance with the statutory provisions to the Return form. *For reference, see HB2213 amending A.R.S. § 42-6203(A) effective August 9, 2017.*

Note that, in this instance, *Tax Rate Chart B will not be applicable.*

For government property improvements with leases that were entered into **on or after June 1, 2010**; or, if a lease does not meet the conditions of A.R.S. § 42-6203(A) listed above, use Tax Rate Chart B, pages 5 and 6.

Note that, in this instance, *Tax Rate Chart A will not be applicable.*

Excise Tax Rate Reduction Criteria

Only for properties that are subject to the Base Excise Tax Rates in Tax Rate Chart B and only in the initial (i.e., the first) **year of a lease**, a “base” excise tax rate reduction may apply if the calculated Property Tax percentage is less than ninety percent of the county-wide average property tax rate.

If the calculated Property Tax percentage is not less than ninety percent of the county-wide average property tax rate and for all years following the initial year of the lease the unadjusted “base” tax rate or an age range adjusted rate is to be utilized.

To determine if the reduction rate for an **initial year** Return filing applies, first obtain (1) the primary and secondary property tax rates that are applicable to the area in which the government property improvement is located, and (2) the county-wide average property tax rate.

Note: *The primary and secondary property tax rates for the government property improvement must be obtained from the County Treasurer of the county in which the property is located.*

The county-wide average property tax rates for the current calendar year/tax year for each Arizona County are available on the ADOR Website at:

<https://azdor.gov/business/government-property-lease-excise-tax-gplet/gplet-average-property-tax-rates>

Use the average tax rate for the county in which the government property improvement is located.

At the top of the worksheet enter the combined rate and divide it by the county-wide average rate to get the Property Tax percentage.

Once it has been determined whether or not the property tax ratio adjustment (i.e., a reduction) is to be applied to the property’s excise tax “base” rate, complete the following steps:



Worksheet Directions - Section 1

For those properties that **have a predominate use** (described on page 5), as indicated in Item 7 of the **Return** form, complete the following steps in **Section 1**:

Step 1: Determine which Rate Chart applies for calculating the excise tax.

(See the Excise Tax Rate Chart Criteria on page 7 of the Overview and Instructions.)

Step 2: In Column 1, Rows 1 through 8 of the applicable Tax Rate Chart, determine the correct property **location** category, and in Column 2 verify that the start date of the lease conforms to the date(s) shown for that category. Enter the Row Number in Section 1, Item 2 of the Worksheet.

If the property does not correspond with any of the property location categories enter the words "Base Row".

Step 3: In Column 3, determine the appropriate **age range** (if applicable) of the improvement, which is based on the date of issuance of the original Certificate of Occupancy (C of O). The improvement age ranges may determine the percentage adjustment factors for the applicable excise tax rate. Enter the age range in Section 1, Item 3 of the Worksheet.

Step 4: From Columns 5 through 13, determine the appropriate **property use** category as indicated in Item 7 of the **Return** form. The intersecting point of the applicable age range in the appropriate **location** Row and the **property use** Column indicates the correct excise tax rate to utilize in calculating the excise tax amount for the improvement. Enter that tax rate or applicable reduction rate in Section 1, Item 4 of the Worksheet.

If the property does not correspond with any of the property location categories enter the "Base" Tax Rate.

Step 5: If parking spaces are applicable, also enter the tax rate for the same property location Row and applicable age range from Column 13 in Section 1, Item 5 of the Worksheet.

Step 6: Multiply the square footage (from Item 7 of the **Return** form) by the tax rate determined in Step 4 above. Enter the result in Item 6 of Section 1, of the Worksheet.

Step 7: If applicable, multiply the number of parking spaces subject to the lease (also from Item 7 of the **Return** form) by the tax rate in Step 5 above and enter the result in Item 7 of Section 1, of the Worksheet.

Step 8: Add the amounts entered in Items 6 and 7 and enter the sum in Item 8 of Section 1, of the Worksheet. This is the total excise tax.

Step 9: If the improvement consists **only** of a parking garage or deck, multiply the number of parking spaces (from Item 7 of the **Return** form) by the tax rate from Item 5, and enter the product in Item 9 of Section 1, of the Worksheet. This is the total excise tax for a Parking Garage or Deck **only**.

*If applicable, calculate the excise tax proration (see the tax **Proration** note and calculation formula at the bottom of the Section 1 Worksheet).*

In Item 11 of the **Return** form, enter the total Excise Tax Amount and check the box for the rate chart that was used for the calculation of the excise tax. The tax is due and payable to the County Treasurer on or before December 1 of each calendar year. **Penalty applies if delinquent.** See Item 12 for calculation.

The **Return** form and any attachments, if applicable, must be filed with the local County Treasurer on or before December 1. Payments are delinquent if not paid by that date. The Prime Lessee should retain a copy of everything submitted for their records.

Worksheet Directions - Section 2

For those properties that **do not have a predominate use** (described on page 5), as indicated in Item 7 of the **Return** form, complete the following steps in **Section 2**:

Step 1: Determine which Rate Chart applies for calculating the excise tax.

(See the Excise Tax Rate Chart Criteria on page 7 of the Overview and Instructions.)

Step 2 : In Column 1, Rows 1 through 8 of the applicable Tax Rate Chart, determine the correct property **location** category, and in Column 2 verify that the start date of the lease conforms to the date(s) shown for that category. Enter the Row Number in Section 2, Item 2 of the Worksheet.

If the property does not correspond with any of the property location categories enter the words "Base Row".

Step 3 : In Column 3, determine the appropriate **age range** (if applicable) of the improvement, which is based on the date of issuance of the original Certificate of Occupancy (C of O). The improvement age ranges may determine the percentage adjustment factors for the applicable excise tax rate. Enter the age range in Section 2, Item 3 of the Worksheet.

Step 4 : From Columns 5 through 13, determine the appropriate **property use** categories as indicated in Item 7 of the **Return** form. Enter the Column Number for each use in Section 2, Item 4 of the Worksheet.

If additional space is needed, attach a separate page to the Worksheet.

Step 5 : From the applicable Rate Chart, select the appropriate property location category and age range (if applicable) listed in Items 2 and 3, Section 2, of the Worksheet to determine the corresponding excise tax rates for each use. If additional space is needed, attach a separate page to the Worksheet.

*If the property does not correspond with any of the property location categories, enter the "Base" tax rate from the applicable Rate Chart for each property use as indicated in Item 7 of the **Return** form.*

Step 6 : If parking spaces are applicable, also enter the tax rate for the same property location row and applicable age range from Column 13 of the rate chart in Section 2, Item 6 of the Worksheet.

Step 7 : For each use listed, multiply the square footage for each use (from Item 7 of the **Return** form) by the tax rate determined in Item 5, Section 2 of the Worksheet.

Enter the result for each use in Item 7, Section 2, of the Worksheet.

Step 8 : Add the results for each use entered in Item 7, Section 2 of the Worksheet and enter the sum in Item 8 Section 2, of the Worksheet. This is the total excise tax.

Step 9 : If applicable, multiply the number of parking spaces (from Item 7 of the **Return** form) by the tax rate from Item 6, Section 2 of the Worksheet and enter the result in Item 9, Section 2 of the Worksheet.

This is the excise tax for the parking spaces.

Step 10 : Add the results for Items 8 and 9, Section 2 of the Worksheet together and enter the sum in Item 10 Section 2, of the Worksheet. This is the total excise tax.

*If applicable, calculate the excise tax proration (see the tax **Proration** note and calculation formula at the bottom of the Section 2 of the Worksheet).*

In Item 11 of the **Return** form, enter the total Excise Tax Amount and check the box for the rate chart that was used for the calculation of the excise tax. The tax is due and payable to the County Treasurer on or before December 1 of each calendar year. **Penalty applies if delinquent.** See Item 12 for calculation.

The **Return** form and any attachments, if applicable, must be filed with the local County Treasurer on or before December 1. Payments are delinquent if not paid by that date. The Prime Lessee should retain a copy of everything submitted for their records.