

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

A.R.S. sections (§§) 42-6201 through 42-6210 govern the Government Property Lease Excise Tax (GPLET). These statutes were revised in 2010, and now provide that the Prime Lessees (tenants) of government property improvements must annually file a GPLET Return form with the County Treasurer of the county in which a government property which they are leasing is located; and that a copy of the Return must also be provided to the Government Lessor.

The GPLET is based on the square footage of a building that is occupied or used by a lessee, (and on the number of parking spaces occupied or used by the lessee, if applicable), or on the number of parking spaces in a separate Parking Garage or Deck. 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 (**DOR 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 [COO] 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 industrial purpose, including but not limited to, office, retail, restaurant, service business, hotel, 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 GPLET also applies to each Prime Lessee of a lease with the National Park Service.
- 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, recreational or parking uses.
- The lease term is at least thirty days.
- The age of the leased improvement is less than fifty years.
- The abatement provisions of the statutes are not applicable.
- The exemption provisions of the statutes are not applicable.

Note: Statutory cites referenced are available on-line at www.azleg.gov. The Arizona Revised Statutes are also available in most public libraries.

Exempt GPLET Improvements

See A.R.S. § 42-6208

The GPLET does not apply to:

1. Property used for a governmental activity.
2. Property used for public housing.
3. Easements and rights-of-way of railroads, gas, electric, water, pipeline and telephone utilities.
4. Interests in all or any part of a facility that is owned of record by a government lessor and used primarily for athletic, recreational, entertainment, artistic, cultural or convention activities if the interest is used for those activities or activities directly related and incidental to these uses including concession stands.

5. Property that is used for or in connection with aviation, including hangars, tie-downs, aircraft maintenance, sale of aviation related items, charter and rental activities, commercial aircraft terminal franchises, rental car operations, parking facilities and restaurants, stores and other services that are located in a terminal.
6. The use by a commercial airline of the runways and terminal facilities of state, city, town or county airports and public airports operating pursuant to A.R.S. §§ 28-8423, 28-8424 and 28-8425.
7. Leases of property or interests in a transportation facility that is constructed or operated pursuant to A.R.S. Title 28, Chapter 22.
8. Interests in lands held in trust by this state pursuant to A.R.S. Title 37, Chapter 2, Article 1.
9. Interests in property held in trust for an Indian or an Indian tribe by the U. S. government.
10. Interests in property that is defined as "contractor-acquired property" or "government furnished property" in federal acquisition regulations, 48 Code of Federal Regulations section 45.101, and that is owned by the government and used to perform a government contract.
11. Property of a corporation that is organized by or at the direction of a county, city or town to develop construct, improve, repair, replace or own any property , improvement, building or other facility to be used for public purposes that the county, city, or town pledges to lease or lease-purchase with county or municipal special or general revenues.
12. Interests in property used by a chamber of commerce recognized under section 501(c)(6) of the United States internal revenue code if the property is used predominately for those federal tax exempt purposes.
13. Interests in property used by organizations that are exempt from taxation under section 501(c)(3) of the internal revenue code.
14. Interests in parking garages or decks if they are owned and operated by a government lessor, or are operated on behalf of a government lessor or by an entity other than the prime lessee, pursuant to a management agreement with the government lessor.
15. Residential-rentals if the prime lessee is the occupant.

Abatement Provisions

See A.R.S. § 42-6209

A city or town may abate the GPLET beginning when a certificate of occupancy (COO) is issued and ending eight years after the COO was issued on a government property improvement that meets the following requirements:

- The government 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.
- A city or town shall not designate more than one "central business district" within its corporate boundaries.
- 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.
- "Central business district" means a single and contiguous geographical area designated by resolution of the governing body of the city or town and meeting the following requirements:
 - The central business district is located entirely within a slum or blighted area that is established pursuant to A.R.S. Title 36, Chapter 12, Article 3.
 - The central business district is geographically compact and no larger than the greater of five percent of the total land area within the exterior boundaries of the city or town or six hundred forty acres.
 - The government property improvement resulted in or will result in an increase in property value of at least one hundred percent.

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:

- The county in which the property is located levies and collects the annual excise tax on each Prime Lessee of a lease with the National Park Service of the United States Department of the Interior.
- The tax is assessed, collected and distributed in the same manner as prescribed for the Government Property Lease Excise Tax except that:
 - The statutory provisions dealing with development agreements under A.R.S. § 42-6206 do not apply to a lease with the National Park Service.
 - The tax rate will not be less than twenty percent of the prescribed tax rate under A.R.S. § 42-6203 Subsections A or B.

The DOR 82620 Return Form Instructions

Return forms (**DOR 82620**) are available from, and are to be filed with, the County Treasurer of the county in which a leased government property is located. A copy of the Return form is also to be filed with the Government Lessor.

County Treasurer contact information:

If the government property improvement is located in:	The Return form must be filed on or before 12-01 with:
Apache County	Apache County Treasurer P.O. Box 699 75 W. Cleveland St. Johns, AZ 85936 (928) 337-7512
Cochise County	Cochise County Treasurer P.O. Box 1778 Bisbee, AZ 85603 (520) 432-8400
Coconino County	Coconino County Treasurer 110 East Cherry Flagstaff, AZ 86001 (928) 679-8188

Gila County	Gila County Treasurer P.O. Box 1093 1400 E. Ash Street Globe, AZ 85501 (928) 425-3231 Ext. 8700
Graham County	Graham County Treasurer 921 Thatcher Blvd. Safford, AZ 85546 (928) 428-3440
Greenlee County	Greenlee County Treasurer P.O. Box 1227 Clifton, AZ 85533 (928) 865-3422
La Paz County	La Paz County Treasurer 1112 Joshua Avenue Parker, AZ 85344 (928) 669-6145
Maricopa County	Maricopa County Treasurer 301 West Jefferson Phoenix, AZ 85003 (602) 506-8511
Mohave County	Mohave County Treasurer P.O. Box 712. Kingman, AZ 86401 (928) 753-0737
Navajo County	Navajo County Treasurer P.O. Box 668 Holbrook, AZ 86025 (928) 524-4172
Pima County	Pima County Treasurer 115 North Church Avenue Tucson, AZ 85701 (520) 740-8341
Pinal County	Pinal County Treasurer P.O. Box 729 Florence, AZ 85132 (520) 509-3555
Santa Cruz County	Santa Cruz County Treasurer 2150 North Congress Drive Nogales, AZ 85621 (520) 375-7980
Yavapai County	Yavapai County Treasurer 1015 Fair Street Prescott, AZ 86305 (928) 771-3233
Yuma County	Yuma County Treasurer 410 Maiden Lane, Suite C Yuma, AZ 85364 (928) 539-7781

It may be necessary for the Prime Lessee (tenant) to contact the Government Lessor in order to:

- Determine if the government property improvement is:
 - Located inside or outside of a "redevelopment area."
 - Located in a "slum" or "blighted" area.
 - Located in a "central business district."
- Determine the date of issuance of the original Certificate of Occupancy (COO) for the government property improvement.
- Determine or verify any other information required to calculate the tax amount due.

Lessor / Lessee Information

A Prime Lessee must complete **all** of the information requested in the DOR 82620 Return form.

- Enter the Government Lessor's information in Item 1.
- Enter the Prime Lessee's information in Item 2. Also, enter the Contact Person's information for the Prime Lessee (if different from the information for the Prime Lessee).
- Enter the property's name (if applicable) and address information in Item 3.
- Enter the date of the original Certificate of Occupancy 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-owned improvement by a Prime Lessee. Predominate use is defined by A.R.S. § 42-6203(F) as being eighty-five percent 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 tax rate applicable to each use occurring on

that property. In all cases, parking spaces are taxed utilizing the applicable per-parking-space tax rate.

Enter the predominate use of the improvement, the "gross building space" or the total square footage leased, and the number of parking spaces included in the lease (if applicable) in Item 7(a) of the Return form.

If the improvement consists of a Parking Garage or Deck only, enter the number of parking spaces in Item 7(b) of the Return form.

If there is **no** identifiable predominate use by the Prime Lessee, indicate the individual uses of the improvement, and the square footage devoted to each of the uses, in Item 8 of the Return form. If additional space is needed, attach a separate page to the Return form.

In Item 9 of the Return form, indicate if this is the **initial** Return for a property (i.e., if **2011** is the first year for which a Return form will be filed in regard to a leased government-owned improvement). 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. If a "certified statement" has been produced, provide a copy of that document to the County Treasurer as an attachment to the Return form.

If this is **not** an initial Return filing (i.e., if a return was filed in the prior calendar year, continue at "Certification," below.

Certification

If a Prime Lessee claims that their use of a government property improvement is **exempt** from the excise tax, indicate in Item 10 which paragraph number from A.R.S. § 42-6208 is applicable (see the Exemption Section, above, for these paragraphs, numbered 1 - 15).

Indicate in Item 11 whether or not the Prime Lessee is claiming that an **abatement** of the excise tax currently applies. If claiming that abatement now applies, note the dates on which the abatement was approved and terminates.

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 utilized under the lease (or the number of parking spaces in a separate Parking Garage or Deck) has not changed from the previous year's reported figures. If applicable, the Prime Lessee's signature also certifies, under penalty of perjury, that 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 from the GPLET, or if the GPLET is not currently abated, the Prime Lessee must next determine which of the two GPLET Worksheets (A or B) to utilize to calculate the excise tax.

Excise Tax Calculation

For government property improvements with leases that were entered into **before** June 1, 2010, **or**, if a development agreement, ordinance or resolution authorizing a lease within ten years was approved by the governing body of the government lessor **before** June 1, 2010 [see § 42-6203(A)], refer to Worksheet A (and its Tax Rate Chart A on Pages 4 and 5).

Note that, in this instance, Worksheet B and its Tax Rate Chart will not be applicable.

For government property improvements with leases that were entered into **on or after** June 1, 2010, **or**, if the lease does not meet the conditions of 42-6203(A) [see § 42-6203(B)], refer to Worksheet B (and its Tax Rate Chart B on Pages 6 and 7).

Note that, in this instance, Worksheet A and its Tax Rate Chart will not be applicable.

Worksheet A - Section 1

For those properties that are subject to the tax rates in **Tax Rate Chart A** and that **have a predominate use**, as indicated in Item 7(a) of the Return form, complete the following steps in Section 1 of Worksheet A:

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

Step 2: In Column 3, determine the appropriate **Age Range** of the improvement, which is based on the date of issuance of the original Certificate of Occupancy (COO). The Age Ranges determine the percentage adjustment factors for the applicable excise tax base rates. Enter the Age Range in Item 2 of Worksheet A, Section 1.

Step 3: From Columns 5 through 13, determine the appropriate **property use** category. The intersecting point of the Age Range in the appropriate 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 in Item 3 of Worksheet A, Section 1.

Step 4: If parking spaces are applicable, also enter the tax rate from Column 13 of Tax Rate Chart A in Item 4 of Worksheet A, Section 1.

Step 5: Multiply the square footage from Item 7(a) of the Return form by the tax rate determined in Step 3 above. Enter the result in Item 5 of Worksheet A, Section 1.

Step 6: If applicable, multiply the number of parking spaces subject to the lease from Item 7(a) of the Return form by the tax rate in Item 4 above and enter in Item 6 of Worksheet A.

Step 7: Add the amounts entered in Items 5 and 6 and enter the result in Item 7 of Worksheet A, Section 1. This is the total excise tax.

Step 8: If the improvement consists of a Parking Garage or Deck only, multiply the number of parking spaces, from Item 7(b) of the Return form, by the tax rate from Item 4 above, and enter the result in Item 8 of Worksheet A,

Section 1. This is the total excise tax for a Parking Garage or Deck only.

See also the tax **Proration** note and calculation formula. In Item 12 of the Return form, enter the tax amount and indicate "Worksheet A."

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

Worksheet A - Section 2

For those properties that are subject to the tax rates in **Tax Rate Chart A** and that **do not have a predominate use**, complete the following steps in of Worksheet A, Section 2:

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

Step 2: In Column 3, determine the appropriate **Age Range** of the improvement, which is based on the date of issuance of the original Certificate of Occupancy. The Age Range determines the percentage adjustment factors for the applicable excise tax base rates. Enter the Age Range in Item 2 of Worksheet A, Section 2.

Step 3: From Columns 5 through 13, determine the appropriate **property use** categories. The intersecting points of each Age Range in the appropriate Row, and the property use Columns, indicate the correct excise tax rates to utilize in calculating the excise tax amounts for the improvement. Enter those tax rates in Item 3 of Worksheet A, Section 2.

Step 4: If parking spaces are applicable under the lease, also enter the tax rate from Column 13 of Tax Rate Chart A in Item 4 of Worksheet A, Section 2.

Step 5: For each use listed in the return form, multiply the square footage, from Item 8 of the Return form, by the tax rates determined in Step

3 above. Enter the results in Item 5 of Worksheet A, Section 2.

Step 6: If applicable, multiply the number of parking spaces from Item 8 of the Return form by the tax rate in Item 4 above and enter in Item 6 of Worksheet A, Section 2.

Step 7: Add the amounts entered in Items 5 and 6 and enter the result in Item 7 of Worksheet A, Section 2. This is the total excise tax.

See also the tax **Proration** note and calculation formula. In Item 12 of the Return form, enter the tax amount and indicate "Worksheet A."

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

ONLY for those properties subject to the rates of Tax Rate Chart B:

Property Tax Ratio Calculation

In the initial year of a lease only, the Prime Lessee must first obtain (1) the aggregate (i.e., combined) primary and secondary property tax rates that are applicable to the government property improvement, **and** (2) the county-wide average property tax rate.

The combined primary and secondary property tax rates for the government property may be obtained from the County Treasurer. The county-wide average property tax rates for the current calendar year / Tax Year are shown at the bottom of page 7 (i.e., Tax Rate Chart B).

The combined property tax rate for the subject property is utilized as the numerator, and the county-wide average property tax rate is the denominator, in the calculation that derives a property tax percentage (ratio) for the government property improvement. **Only if** the percentage (ratio) calculated is **less** than ninety percent of the county-wide average property tax rate, is the specified 'base' excise tax rate to be reduced by ten percent. **If** an Age Range

adjusted excise tax rate is applicable, that rate is to be reduced by an additional ten percent. In either instance, the reduced tax rate is utilized to calculate the excise tax.

If the property tax percentage (ratio) is **not** less than ninety percent of the county-wide rate, then the applicable 'base' rate, or the Age Range adjusted rate, as specified under § 42-6203(B), is to be utilized to calculate the excise tax payment.

Refer to the property tax ratio calculation formula in the first bulleted item of Worksheet B.

Once it has been determined whether or not the property tax ratio adjustment (reduction) applies to the excise tax 'base' rate, complete the following steps:

Worksheet B – Section 1

For those properties that are subject to the tax rates in **Tax Rate Chart B** and that **have a predominate use** as indicated in Item 7(a) of the Return form, complete the following steps in Worksheet B, Section 1:

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

Step 2: In Column 3, **if** applicable, determine the appropriate **Age Range** of the improvement, which is based on the date of issuance of the original Certificate of Occupancy (only three of the Tax Rate Chart B categories have any Age Range adjustments). If applicable, the Age Ranges determine the percentage adjustment factors for the excise tax 'base' rates. Enter the Age Range in Item 2 of Worksheet B, Section 1.

Step 3: From Columns 5 through 13, determine the appropriate **property use** category. The excise tax rate for the Age Range, if applicable, in the appropriate Row, intersecting the property use Column, indicates the correct excise tax rate to utilize in calculating the excise tax amount. As described above, **only in the initial year of a lease**, if the calculated subject improvement's property tax ratio is less than ninety percent of the county-wide average property tax rate, is the Age Range adjusted

'base' rate to be reduced by an additional ten percent (these reduced rates are also shown in Tax Rate Chart B). If no Age Range adjustment is applicable, the prescribed 'base' rate is reduced by ten percent. Enter that tax rate in Item 3 of Worksheet B, Section 1.

Step 4: If parking spaces are applicable under the lease, also enter the tax rate from Column 13 of Tax Rate Chart B in Item 4 of Worksheet B, Section 1.

Step 5: Multiply the square footage from Item 7(a) of the Return form by the tax rate determined in Step 3 above, and enter the result in Item 5 of Worksheet B, Section 1.

Step 6: If applicable, multiply the number of parking spaces from Item 7(a) of the Return form, by the tax rate in Item 4 above, and enter the result in Item 6 of Worksheet B, Section 1.

Step 7: Add the amounts entered in Items 5 and 6 and enter the result in Item 7 of Worksheet B, Section 1. This is the total excise tax.

Step 8: If the improvement is a Parking Garage or Deck only, multiply the number of parking spaces from Item 7(b) of the Return form by the tax rate from Item 4 above and enter the result in Item 8 of Worksheet B, Section 1. This is the total excise tax for a Parking Garage or Deck only.

See also the tax **Proration** note and calculation formula. In Item 12 of the Return form, enter the tax amount and indicate "Worksheet B."

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

Worksheet B - Section 2

For those properties that are subject to the tax rates in **Tax Rate Chart B** and that **do not have a predominate use**, complete the following steps in Worksheet B, Section 2:

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

Step 2: In Column 3, **if** applicable, determine the appropriate **Age Range** of the improvement, which is based on the date of issuance of the original Certificate of Occupancy (only three of the Tax Rate Chart B categories have any Age Range adjustments). If applicable, the Age Range determines the percentage adjustment factors for the excise tax 'base' rates. Enter the Age Range in Item 2 of Worksheet B, Section 2.

Step 3: From Columns 5 through 13, determine the appropriate **property use** categories. The excise tax rate for the appropriate Age Range, if applicable, intersecting the appropriate property use Columns indicates the correct excise tax rates to utilize in calculating the excise tax amounts. As described above, **only in the initial year of a lease**, and **only** if the calculated subject improvement's property tax ratio is **less** than ninety percent of the county-wide average property tax rate, is the Age Range adjusted 'base' rate to be reduced by an additional ten percent (these reduced rates are also shown in Tax Rate Chart B). If no Age Range adjustment is applicable, the prescribed 'base' rates are reduced by ten percent. Enter those excise tax rates in Item 3 of Worksheet B, Section 2.

Step 4: If parking spaces are applicable under the lease, also enter the tax rate from Column 13 of Tax Rate Chart B in Item 4 of Worksheet B, Section 2.

Step 5: Multiply the square footages for each use listed, from Item 8 of the Return form, by the tax rates determined in Step 3 above. Enter the results in Item 5 of Worksheet B, Section 2.

Step 6: If applicable, multiply the number of parking spaces subject to the lease, from Item 8 of the Return form, by the tax rate in Item 4 above, and enter the result in Item 6 of Worksheet B, Section 2.

Step 7: Add the amounts entered in Items 5 and 6 and enter the result in Item 7 of Worksheet B, Section 2. This is the total excise tax amount.

See also the tax **Proration** note and calculation formula. In Item 12 of the Return form, enter the tax amount and indicate "Worksheet B."

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