

GOVERNMENT PROPERTY LEASE EXCISE TAX
(Replacement For The Possessory Interest Tax)

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The government property lease excise tax was enacted in 1996 (Laws 1996, Chap. 349, SB 1116) to take the place of the old possessory interest tax, which was repealed in 1995. The new excise tax was effective beginning in 1996 and is an excise tax based on the square footage of the building, rather than on value. It is to be collected by the city where the property is located and is due annually by December 31 of each year. The tax provisions are found in A.R.S. § 42-6201 through 42-6209.

1. *Application of Excise Tax.*

The government property lease excise tax (“GPLET”) will apply if:

- The building (or parking structure) is owned of record by a city, town, county or county stadium district.
- The building or other structure is leased in whole or part by a private party.
- The leased space is occupied and used for commercial or industrial purposes, including but not limited to, office, retail, restaurant, service business, hotel, entertainment, recreational or parking uses.

- The duration of the lease term is at least thirty days.
- The age of the building or structure is less than fifty years.
- The abatement provisions of the law do not apply.
- The exemption provisions of the law do not apply.

2. *Excise Tax Rate. See A.R.S. § 42-6203.*

The excise tax rate is based on the following factors:

Building Type	Redevelopment Area Status
Predominant Use	Special Categories
Building Age	Abatement

3. *Exemptions From the Government Lease Excise Tax. See A.R.S. § 42-6208.*

The tax does not apply to:

1. Property that is used for a governmental activity.
2. Property that is used for public housing.
3. Easements and rights-of-way of railroads and 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 located on municipal airports and airports that operate pursuant to sections 28-8423, 28-8424 and 28-8425, if the property 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, 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 sections 28-8423, 28-8424 and 28-8425.
7. Leases of property or interests in a transportation facility that is constructed or operated pursuant to title 28, chapter 22, article 1 or 2.
8. Interests in property held in trust for an Indian or an Indian tribe by the United States government.

9. Interests in property that is defined as “contractor-acquired property” or “government-furnished property” in the 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.

10. 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.

11. 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.

12. Interests in property used by organizations that are exempt from taxation under section 501(c)(3) of the internal revenue code.

13. Interests in parking garages or decks where the parking garages or decks are owned and operated by the government lessor or operated on behalf of the government lessor, by an entity other than the prime lessee, pursuant to a management agreement with the government lessor.

14. Residential rentals where the prime lessee is the occupant.

4. 8 Year Abatement of Tax For Government Property Improvements In Single Central Business District. See A.R.S. § 42-6209.

The tax will be abated under the following circumstances:

A. A government lessor shall abate the tax for a limited period beginning when the certificate of occupancy is issued and ending eight years after the certificate of occupancy is issued on a government property improvement that is constructed either before or after the effective date of this chapter and that meets the following requirements:

1. The improvement is located in a single central business district in a redevelopment area that is established pursuant to title 36, chapter 12, article 3 and is subject to a lease or development agreement entered into on or after April 1, 1985.

2. The government property improvement resulted or will result in an increase in property value of at least one hundred per cent.

B. Unless waived by the government lessor, the prime lessee must apply for the abatement before the taxes under this chapter are due and payable in the first year after the certificate of occupancy is issued. The prime lessee shall notify the government lessor if the government property improvement no longer qualifies for abatement under this section.

5. *Park Property Lease Excise Tax.*

A new Park Property Lease Excise Tax was added in 2004 by Laws 2004, Chapter 341, § 9. It imposes a government property Lease Excise Tax on each prime lessee of a lease with the National Park Service. The new tax would apply under the following circumstances:

A. A county is to 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 is to be assessed, collected and distributed in the same manner as prescribed for the government property lease excise tax, except that:

1. § 42-6206 (dealing with development agreements) does not apply to a lease with a National Park Service.

2. The tax rate is not to be less than twenty percent (20%) of the tax rate prescribed by § 42-6203, subsection A (which sets out the base tax rates for the government property lease excise tax).