GOLDWATER INSTITUTE

July 28, 2026

SENT VIA E-MAIL & U.S. MAIL

Jeanne Kentch
Mohave County Assessor
700 West Beale Street
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Re: Unlawful Reclassification of Residential Short-Term Rentals as Class One Property

Dear Assessor Kentch:

We write concerning the Mohave County Assessor's recently announced policy of reclassifying residential properties as Class One commercial property whenever they are "primarily operated as full-time short-term rentals." The policy is contrary to Arizona law and should be rescinded.

According to the Assessor's July 2026 announcement, the County has already reclassified more than 900 residential short-term rentals and intends to continue doing so. The County relies on two propositions: (1) income-producing property is generally commercial; and (2) year-round short-term rentals are functionally equivalent to hotels and motels. Neither proposition supports the County's categorical policy.

Class One is a residual classification. It includes property devoted to commercial or industrial use only if it is not "specifically included in another class." A.R.S. § 42-12001(12). Residential rental property is specifically included in Class Four. *See* A.R.S. § 42-12004(A)(1), (2), (10). The County therefore cannot begin with the presumption that income-producing property is commercial. It must first determine whether the Legislature has already classified the property elsewhere.

First, Arizona law expressly places residential property rented to lodgers in Class Four. Section 42-12004(A) includes property used for residential purposes, property used for residential purposes and solely leased or rented, and property used for residential purposes that is leased or rented to lodgers. Most significantly, in 2016, when the Legislature enacted Arizona's comprehensive short-term-rental statutes, it simultaneously added § 42-12003(A)(3) for owner-occupied short-term rentals and § 42-12004(A)(10) for other short-term rentals. SB 1350, Second Regular Session, Fifty-second Legislature, Arizona Legislature (2016). The Legislature thus

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specifically contemplated that short-term rentals would remain residential property classified as either Class Three or Class Four – not Class One.

The Legislature imposed no minimum rental period and did not provide that a dwelling loses its residential classification because it is available year-round. Nor may the County circumvent § 42-12004(A)(10) by invoking Class One's residual provision. If the owner's profit motive alone rendered property commercial, virtually every property rented to lodgers – and every long-term rental under § 42-12004(A)(2) – would be removed from Class Four. Courts do not construe statutes to render express provisions meaningless. *State v. Leonard*, 260 Ariz. 340, 574 P.3d 245, 251 (App. 2025).

Second, the County conflates the owner's business activity with the property's actual use. "Property classifications are generally based on...a property's use." *Qasimyar v. Maricopa County*, 250 Ariz. 580, 585 ¶ 14, 483 P.3d 202, 207 (App. 2021). Occupants of an ordinary short-term rental sleep, cook, eat, and live in the dwelling. Those are residential uses whether the stay lasts four days or four months. While the owner may operate a rental business, the Legislature classified the underlying property according to its residential use, not the owner's method of generating income. *Qasimyar* likewise recognizes leased or rented residential property as Class Four and instructs that tax statutes are construed in favor of the taxpayer.

Third , Arizona's vacation-rental statutes reinforce this conclusion. A.R.S. §§ 9-500.39 and 11-269.17 define qualifying short-term rentals as residential dwellings that are not classified under Class One, require local governments to regulate them consistently with Classes Three and Four, and authorize regulation of genuinely nonresidential activities such as restaurants, retail operations, and event centers.

Finally, ordinary short-term rentals are not hotels. Hotels are purpose-built commercial establishments with front desks, on-site staff, common commercial areas, and hotel services. Ordinary short-term rentals remain single-family homes or similar dwellings occupied by temporary residents. Although both provide temporary lodging, the Legislature preserved that distinction by classifying ordinary short-term rentals as residential property rather than commercial property. While a particular property may, based on its actual use, become sufficiently hotel-like to warrant different treatment, the County may not adopt a categorical rule that every full-time short-term rental is Class One.

Consequently, the Mohave County Assessor must:

- Immediately suspend the policy of reclassifying residential property as Class One based on its use as a short-term rental;

- Restore to Class Four all non-owner-occupied residential short-term rental properties reclassified under the policy; and

- Issue corrected notices and tax records for all affected parcels and take all steps necessary to prevent taxpayers from being charged taxes based on the improper 15% Class One assessment ratio.

If the County does not promptly rescind the policy and correct the resulting classifications, affected property owners may pursue all available judicial remedies, including declaratory and injunctive relief, correction of the unlawful classifications, recovery or refund of improperly imposed taxes, and any other relief authorized by law.

I am available to discuss this matter with you at any time. Should you have questions, please do not hesitate to contact me at (602) 462-5000 or jriches@goldwaterinstitute.org

Sincerely,

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