

REFERRAL FEES

Arizona law authorizes landlords and a manager to provide incentives to residents who refer other residents to the property, but only if the incentive meets certain statutory requirements.

Under ARS § 32-2176, a finder's fee is a fee paid to a person for introducing or arranging an introduction of another person in connection with a rental transaction. Although finder's fees are typically offered to residents who refer an applicant who decides to rent at a community, they are not necessarily limited to those circumstances. A property may – but is not required to – offer a finder's fee to anyone who refers an applicant, whether or not the applicant eventually decides to or qualifies to rent. These decisions about whether and under what circumstances a finder's fee will be paid are left to the discretion of management.

Although management has some discretion in offering a finder's fee, that discretion is necessarily limited by the terms of the statute. Those limitations include the following terms:

1. A finder's fee may be given *only* to a bona fide tenant of the property and may not be provided to a leasing agent or management employee. Other employees of the property, such as maintenance and housekeeping staff, who live on-site, are not precluded from receiving such fees.
2. The finder's fee can be used only as *a credit toward or reduction of the tenant's rent* and thus may not include such things as cash or prizes such as iPods, televisions and free trips or participation in raffles for any of these.
3. The finder's fee may not exceed \$200.00 per referral and may not be awarded to any tenant more than five (5) times in any twelve-month period.
4. Finally, the resident receiving the finder's fee must be provided the fee only for the referral. The referring resident may not show the property to the referred tenant, may not discuss the terms and conditions of the tenancy with him/her, and may not participate in any negotiations concerning the tenancy with the person referred.

Properties are encouraged to strictly comply with these limitations, as there are civil penalties a property awards finder's fees outside of these parameters. These penalties include suspension or revocation of the person's license or civil penalties of up to \$1000.00 for each infraction.