

When You Need a Real Estate License:

A look at licensure exemptions

A.R.S. § 32-2121(A)

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Arizona's real estate licensing statutes cast a wide net and the presumption is if you are dealing with real estate, you likely need a license. However, there are important exemptions that allow a person to “engage in real estate” but not be required to have a license. A.R.S. § 32-2121(A) carves out nineteen categories of activity that fall entirely outside the licensing article. For our property management and ownership clients, there are two main exemptions that apply. It is important to review the statutes carefully to determine if they apply, as you don’t want to be engaging in the business of real estate if you don’t have a license. Remember, the presumption is that you must be licensed to engage in activities surrounding real estate; the exemptions are the outlier.

The first is the “own property” exemption in paragraph 1. A natural person, or a corporation, partnership, or LLC acting through its officers, partners, members, or managers, need not be licensed to sell, exchange, purchase, rent, lease, manage, or pledge property that the entity itself owns, so long as the individuals handling those tasks do not receive “special compensation” for the transaction and their real estate activities are not the majority of what they do. In practice, an owner-operator managing its own property through its own employees is not required to hold a broker's license for that property, provided compensation is structured as ordinary salary rather than transaction-based fees.

The second, paragraph 6, exempts residential leasing agents and on-site managers. These individuals may prepare and present leases, collect deposits and rent, show units, execute leases, and deliver statutory notices, all without a license, provided they work at only one location during their shift, are employed directly by the owner or the owner's licensed management agent, and do not receive special compensation for those specific acts. A performance bonus paid monthly or less often that does not exceed half of total compensation is not treated as special compensation, meaning a well-structured bonus plan does not defeat the exemption. The biggest part of this section is that it can only be at one property during their day.

The exemption is not automatic. It depends on how a role is structured, particularly around compensation. Titles do not control; conduct and pay structure do. Clients should review job descriptions, bonus plans, and reporting lines against the statutory language before assuming an exemption applies. If there is ever a doubt, it is safer to be licensed and be supervised by a designated broker. If you are engaging in real estate without a license, even accidentally, you could be subject to a cease and desist letter and further action by the Arizona Department of Real Estate.