

**Short Title: Requirements for Teams**

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under A.R.S. § 41-1033 for a review of the statement.

**STATEMENT OF PURPOSE AND SCOPE**

This Substantive Policy Statement is to inform the real estate industry of the relevant statutes and rules that govern real estate licensees and are applicable to real estate “Teams”. Although not officially recognized entities in Arizona real estate law, Teams are impacted through statutes and rules that address activities within a real estate brokerage.

**Definitions**

“**Team**” is not a defined term under Arizona law. For purposes of this Substantive Policy Statement, a Team refers to an established business relationship of more than one Arizona real estate licensee, all of whom must be licensed with the same Arizona licensed real estate brokerage.

“**Advertising**” means the attempt by publication, dissemination, exhibition, solicitation or circulation, oral or written, or for broadcast on radio or television to induce directly or indirectly any person to enter into any obligation or acquire services with an individual for real estate purposes, A.R.S. § 32-2101(2).

“**Compensation**” means any fee, commission, salary, money or other valuable consideration for services rendered or to be rendered, as well as the promise of consideration whether contingent or not, A.R.S. § 32-2101(16).

“**Designated Broker**” means the natural person who is licensed as a broker under A.R.S. Title 32 Chapter 20, and is either designated to act on behalf of an Arizona real estate, cemetery or membership camping entity, or doing business as a sole proprietor, A.R.S. § 32-2101(21).

“**Employing Broker**” means a person who is licensed or is required to be licensed as a Broker Entity pursuant to A.R.S. § 32-2125, Subsection A, or a sole proprietorship if the sole proprietor is a broker licensed pursuant to A.R.S. § 32-2101(24).

**Broker Policy and Procedure Manual**

An Employing Broker and a Designated Broker shall exercise reasonable supervision and control over the activities of brokers, salespersons, and others in the employ of the broker. The Employing Broker is responsible for all activities of licensed individuals within the brokerage pursuant to Arizona Revised Statutes and Rule, A.R.S. § 32-2153, A.A.C. R4-28-1103. If Teams operate within the brokerage, the Employing Broker is strongly encouraged to address Teams in their Broker Policy and Procedure Manual. Topics to address could include, but are not limited to:

- Team formation and dissolution
- Compensation and agreements with Team Members, including any required Broker approval
- Conflicts and Disputes

- Use of unlicensed assistants, if any, including the party responsible for hiring and compensation, whether employed by the Employing Broker or the Team. It is recommended that the Employing Broker emphasize that unlicensed assistants are not to engage in any activity for which a real estate license is required.
- Changes in license status
- Signage and advertising, A.R.S. §§ 32-2126, 32-2128, A.A.C. R4-28-502(E)
- Team names
- [Click here](#) to view the Model ADRE Policy and Procedures Manual

### **Team Activity**

All Team members that practice real estate in this state must possess an active Arizona real estate license, and be affiliated with the same Arizona licensed Employing Broker, A.R.S. § 32-2153(A)(7)(8). Licensed Team members must sign all prepared real estate transaction documents with their own legal name.

The Employing Broker is responsible for the supervision of Team activity of salespersons, Associate Brokers or others under the broker's employ and shall exercise reasonable supervision and control over the activities for which a license is required, A.R.S. § 32-2153(A)(21). A real estate licensee that is a member of a Team may employ an unlicensed assistant to conduct limited activity that does not require a real estate license, to perform clerical, bookkeeping, accounting and other administrative and support duties. A person who performs acts that require a license, without being licensed is guilty of a class 5 felony, A.R.S. § 32-2165(B). (**See SPS No. 2017.01 Unlicensed Assistants, [click here](#)**).

A Designated Broker may authorize in writing an Associate Broker who the Designated Broker employs to review and initial on the Designated Broker's behalf, A.R.S. § 32-2151.01(G). Only a Designated Broker or authorized Associate Broker may direct the compensation distribution to licensed Team members.

### **Advertising**

The same advertising rules apply to a Team as apply to individual licensees. All advertising must clearly and prominently display the legal name of the Employing Broker, or the "doing-business as" (or "DBA") name as licensed with the Department, A.A.C. R4-28-502(E). It should be clear that the Team is not an independent entity, but is working under the auspices of the Employing Broker. An unlicensed person who acts as a broker or salesperson or who advertises in a manner that indicates that the person is licensed as a broker or salesperson, without being licensed is guilty of a class 6 felony, A.R.S. § 32-2165(A). (**See SPS No. 2007.18 Real Estate Licensee Advertising, [click here](#)**). A licensee must disclose their status as a licensee when selling, leasing, or exchanging their own property, and by placing the words "owner/agent" in any advertisement, A.A.C. R4-28- 502.

### **Branch Office and Signage**

Team names cannot be used on branch office signage. Branch office signage shall conform only to the provisions of the principal office, and shall include only the name of the brokerage as licensed with the Department, A.R.S. §§ 32-2127(B), 32-2126. Each branch office shall affix a sign at the entrance to the Brokerage office, in a place and position clearly visible to all entering the place of business, with the name of the Employing Broker, or the DBA name (if any), and the name of the Designated Broker, and shall include the designation "Branch Office". An additional license is required for each branch office. Each Brokerage branch office must be under the management of a licensed broker or salesperson delegated in writing by the Designated Broker, A.R.S. § 32-2127(C). A Designated Broker may authorize in writing an

Associate Broker, who the Designated Broker employs, to review and initial real estate documents on the Designated Broker's behalf, without releasing the Designated Broker from any responsibility, A.R.S. § 32-2151.01(G).

**Compensation**

Each licensee shall accept employment and compensation only from the legally licensed broker to whom the licensee is licensed. Each licensed member of a Team must receive their compensation directly from the Employing Broker. A.R.S. § 32-2153(A)(7); A.R.S. § 32-2155. The broker cannot pay the Team leader, PC, or PLLC, and have the Team leader distribute payment to licensed individuals, unless the licensed persons are an employee, officer or partner of the corporate entity. An unlicensed person cannot be compensated on any basis that relies on the ultimate sale or closing of a property, A.R.S. §§ 32-2122(D), 32-2101(16), A.A.C. R4-28-306.

**Authority:** Pursuant to A.R.S. § 32-2107, the Commissioner has charge of the Department and authority to administer the laws and rules adopted pursuant to Arizona Revised Statutes, Title 32, Chapter 20. A.R.S. § 32-2153(A)(7),(8) and A.R.S. § 32-2155(A) regulate employment status and compensation requirements for licensees. A.A.C. R4-28-1103 provides for broker oversight and control of all employees of the brokerage.

**Policy Program:** Compliance

**Effective Date:** Established March 11, 2020