

Short-Term Rental of Vacation Lodging

Overnight Rentals of Vacation Lodging by Owners for 180 Days or Less Are Subject to Business Tax

Overnight rentals of vacation lodgings are subject to business tax. For purposes of this notice, vacation lodging means cabins, cottages, chalets, condominiums, houses or individual rooms that are rented out by property owners or property management companies for vacation purposes. Property owners or property management companies often rent out vacation lodgings through websites, such as vrbo.com, airbnb.com, flipkey.com and homeaway.com (note, these websites that facilitate the property rentals are not considered property management companies¹).

For business tax purposes, a rental that lasts between one and 180 days is an overnight rental. Any rental for more than 180 days is not subject to business tax.

If a Property Management Company Is Used, the Property Management Company Is Liable for the Business Tax

If the owner of the property uses a management company to provide overnight rentals of vacation lodgings, then the management company, rather than the owner, must pay the business tax on the gross receipts from the rentals. If no property management company is used, the owner must pay the business tax.

The Amount Subject to Business Tax Includes Fees the Customer Must Pay for the Rental

The amount of business tax due must be calculated on the gross receipts from the overnight rental. The gross receipts subject to business tax should include all fees collected for the rental, as well as any other money that a consumer must pay in order to rent the accommodations (e.g., non-refundable pet deposits, required cleaning fees, property damage protection fees, etc.).

Taxpayers Must Have County and City Business Tax Registrations in the Jurisdictions of Rental Property Locations

A property owner or management company providing overnight rentals of vacation lodgings must have a county business tax registration for each county in which it has overnight rental properties and a city business tax registration for each city in which it has overnight rental properties. The owner or management company will be subject to business tax at the local rate for the jurisdiction in which each overnight rental property is located.

A property owner or management company registering for business tax may submit a single registration form for each jurisdiction in which it has properties. The taxpayer will register for each jurisdiction under the location address of one of its overnight rental properties in that jurisdiction. The taxpayer must provide its business mailing address on the registration form. The taxpayer will file one business tax return for each registration and will pay

¹ This parenthetical sentence was added to provide clarification.

the business tax for all of its overnight rental properties in that jurisdiction under the registration for that jurisdiction. Tax registration information is available on our website [here](#).

A New Registration Is Required if Business Expands to a New Jurisdiction

Any time a taxpayer expands its business to provide overnight rental of vacation lodging in a new jurisdiction, the taxpayer must submit a new registration form for that jurisdiction.

The Minimum Requirement for Filing and Registration Is \$10,000 in Taxable Receipts

A provider of overnight rentals is required to register and file for business tax if its taxable gross receipts are \$10,000 or more in each jurisdiction in which it does business. That means that a property owner or management company will not be subject to business tax in any city and/or county where its total rental property receipts in that city and/or county are not at least \$10,000.

A Provider of Overnight Rentals of Vacation Lodging is a Class 3 Taxpayer

For business tax purposes, every taxpayer must register under a business tax classification and pay the tax rate prescribed by the law for that classification. A taxpayer's classification is determined by its dominate taxable business activity. A provider of overnight rentals of vacation lodgings is providing a service. Providers of services are under Classification 3.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-4-702; Tenn. Code Ann. § 67-4-730; TENN. COMP. R. & REGS. 1320-04-05-.28(3)