Department of Revenue

Sales and Use Tax Notice

Notice #17-24 | October 2017 (last updated October 2018)

Short-Term Rental of Vacation Lodging

The Short-Term Rental of Vacation Lodging by Owners for Less Than 90 Continuous Days Is Subject to Sales Tax

Taxable charges for rooms, lodgings or accommodations include the short-term rental of vacation lodgings. For purposes of this notice, vacation lodging means cabins, cottages, chalets, condominiums, houses or individual rooms that are rented out by property owners and property management companies for overnight lodging. Property owners or property management companies often rent out vacation lodgings through internet platforms, such as vrbo.com, airbnb.com, flipkey.com and homeaway.com. A rental that lasts between one and 89 days is considered short term.

If a Property Management Company Is Used, the Property Management Company Must Collect and Remit the Sales Tax

If the owner of the property uses a management company to provide vacation lodging services, then the management company must register for and collect the sales tax. If no property management company is used, the individual property owner must register for and collect the sales tax.

The Taxpayer Must Collect Sales Tax on the Price Plus Any Fees the Customer Pays for the Rental

The amount of sales tax collected should be calculated on the sales price of the vacation lodging services. The sales price includes 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 Register and Collect Sales Tax in the Jurisdictions of Rental Property Locations

Property owners and management companies providing short-term rentals of vacation lodging are required to register in the jurisdiction(s) in which the vacation lodging rental properties are located. The owner or management company must collect sales tax at the local rate for the jurisdiction in which each vacation lodging rental property is located.

The property owner or management company registering for sales and use tax may submit a registration form for each jurisdiction. Registration is available electronically through a new Departmental website called Tennessee Taxpayer Access Point (TNTAP). The taxpayer will register for each jurisdiction under the location address of one of its vacation lodging rental properties in that jurisdiction. The taxpayer must provide its business mailing address when registering for each jurisdiction. The taxpayer will electronically file a consolidated sales and use tax return through TNTAP that will include reporting for all of the registered jurisdictions in which the vacation lodging rental properties are located. Tax registration information is available on the Department's website.

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

Any time a taxpayer expands its business to provide overnight rentals in a new jurisdiction, the taxpayer

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must submit a new registration form for that jurisdiction.

Tax on Short-Term Rental Bookings May be Collected and Reported through an Internet Platform [1]

An internet platform may agree to collect and report sales tax on behalf of the property owner or property management company. In that case, the sales tax due will be reported on a return filed by the internet platform. If the owner or management company also rents directly or through other internet platforms that do not collect the tax on their behalf, then the property owner or property management company must be registered and report those sales on its return.

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. § 67-6-501(d); TENN. COMP. R. & REGS. 1320-05-01-.63(5)

[1] This section was added to address when an internet platform collects tax on behalf of property owners or property management companies.

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