



# OCCUPANCY TAX UPDATE FOR LOCAL GOVERNMENTS

Updated January 2021

# Discussion Points

- What are local occupancy taxes?
- What are the new changes for 2021?
- How do the changes affect the marketplace sellers, property owners, and local collection officials?
- Where can more information be located?

# Local Occupancy Taxes

Occupancy taxes are based on:

- The Tourist Accommodation Tax (Title 7, Chapter 4, Parts 1 and 2)
- The Hotel Occupancy Tax (Title 67, Chapter 4, Part 14)
- Any privilege tax imposed by a private act on the occupancy of a hotel, motel, or similar establishment

# New Change for Occupancy Tax in 2021

- Effective January 1, 2021
- Requires short term rental marketplaces to collect local occupancy tax for short term rental units secured through the marketplace and to remit the tax monthly
- Hotels and beds and breakfasts continue to remit to local governments
- Any private agreement between a marketplace and a local government remains in effect and are not changed by this law change
- Public Chapter 787, Acts of 2020

# What Has Changed for Marketplace Sellers?

- Beginning January 1, 2021, short-term rental unit marketplaces must register and begin collecting local occupancy taxes on the rentals they take via their websites
- The rates are exactly the same – no changes whatsoever
- These marketplaces report their occupancy taxes to the Tennessee Department of Revenue monthly on Schedule F of their sales tax return
- The Tennessee Department of Revenue collects the tax and remits collections to local governments

# What Has Changed for Property Owners?

- If a property owner receives no rentals from a marketplace, there is not change at all – keep sending the local occupancy taxes to local government officials
- If a property owner makes some rentals through a marketplace and others privately, the property owner must pay local occupancy taxes to local government officials only on the rentals they make privately (not through the marketplace)
- If a property owner makes all their rentals through a marketplace, the marketplace remits the local occupancy taxes to the Tennessee Department of Revenue and the property owner does not pay any local occupancy taxes to local governments

# What Has Changed for County Clerks and Other Local Collection Officials?

- County clerks or other officials that receive funds from taxable businesses directly will continue to do so
- The funds received by the Tennessee Department of Revenue are receipted and disbursed back to local governments in the month following the month for which they are collected – similar to sales tax and business tax collections. A 1.125% collection fee is retained by Revenue.
- Online marketplace sellers are responsible for what they report and they are not required to share this data with property owners or county clerks
- Clerks and other local collectors need to consider what adjustments they may wish to make on reporting from local property owners – e.g. should a zero due occupancy tax report be filed? This is at the discretion of local government.

# Tax Chart for Businesses

The Business...	Occupancy Tax	Sales Tax	Business Tax
Uses an Online Marketplace	Only pay occupancy tax to local government on sales not made through marketplace	Only pay sales tax to Revenue on sales not made through marketplace	File business tax to Revenue on all gross receipts, even those obtained through marketplace
Does Not Use an Online Marketplace	Pay local occupancy taxes to local government	Pay sales tax to Revenue	File business tax to Revenue on all gross receipts



# Did You Know?

- Memphis and Nashville Metropolitan Areas have an additional Tourist Accommodation Tax that is collected with local occupancy tax to fund local convention centers
- Tenn. Code Ann. Section 67-4-1504 prohibits short-term rental marketplaces from advertising that the unit provider will pay, refund, or absorb the occupancy tax

# Resources

- Public Chapter 787, Acts of 2020
- Tenn. Code Ann. § 7-4-100 et seq.
- Tenn. Code Ann. § 7-4-200 et seq.
- Tenn. Code Ann. § 67-4-1500 et seq.
- [Important Notice #20-20](#)
- [Tennessee Local Occupancy Tax Rates](#)
- [SLS 450 Instructions](#) (sales tax return)





**THANK YOU**