

**\*\***Effective July 1, 2025, the first 30 days of occupancy in a short-term rental unit is subject to the local occupancy tax, regardless of the overall length of stay.  
See Important Notice #25-07.**\*\***



## TAXATION OF SHORT-TERM VACATION RENTALS

August 2023 Tax Webinar



2

# Thanks for joining us!

## We will begin at 9:00 am (CST)

➤ **Please check your audio settings. See below for resources in case you experience audio or other technical difficulties:**

- Contact WebEx Support <https://help.webex.com/contact/>
- Link to Technical Service Resource Guide  
<https://www.cisco.com/c/en/us/support/web/tac/technical-services-resource-guide.html>
- Try leaving and then re-entering the event

## View a recording of today's presentation!

**tn.gov/revenue > Taxpayer Education > Tax Webinars**

<https://www.tn.gov/revenue/taxpayer-education/tax-webinars.html>

The webinar recording will be posted in the "Webinar Video Library" the day after the event.

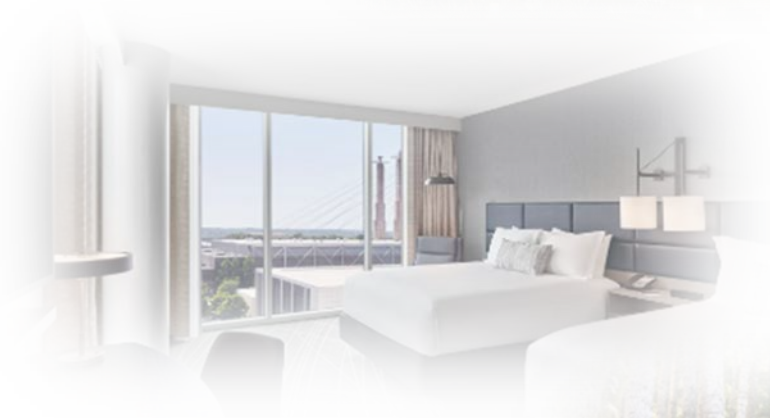
➤ **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**

- [www.tn.gov/Revenue](http://www.tn.gov/Revenue)
- [Revenue.support@tn.gov](mailto:Revenue.support@tn.gov)
- 615.253.0600 (M-F 8-4:30 CST)



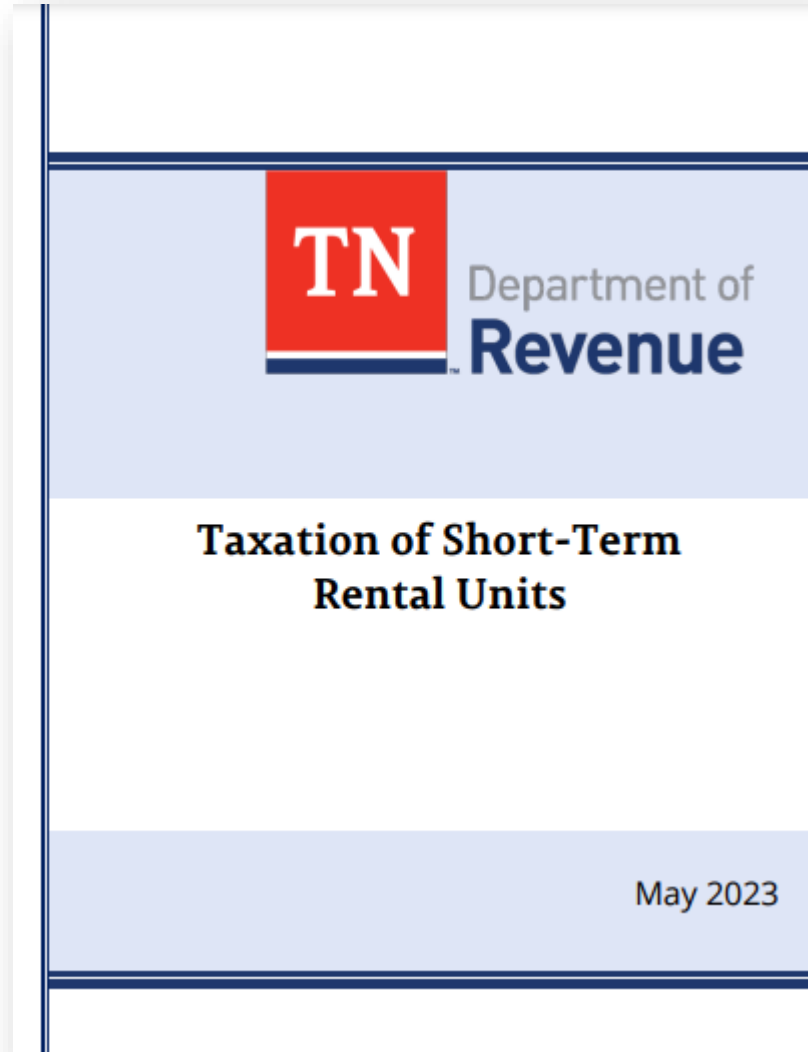
# Overview

- **Key Terms**
- **Applicable Tax Types**
  - Business Tax
  - Sales Tax
  - Occupancy Tax
- **Resources**
  - New Tax Manual
  - RevenueHelp
- **FAQ's/Chat**



# New Industry-Specific Tax Manual!

## Taxation of Short-Term Rental Units Manual



# Terminology/Tax Law

Description	Sales Tax Term	Local Occupancy Tax Term	Business Tax Term
<b>Person that operates the platform through which properties are rented</b>	Marketplace Facilitator	Short-term Rental Unit Marketplace	N/A
<b>Person who owns/lists the property on the platform</b>	Marketplace Seller	Short-term Rental Unit Provider	Individual Property Owner
<b>Property being rented</b>	Lodging or Accommodation	Short-term Rental Unit	Vacation Lodging
<b>Number of days of continuous occupancy before rental is exempt from respective tax</b>	90 Days	30 days	180 Days

# STR's & Business Tax

## **OVERNIGHT RENTAL OF REAL PROPERTY FOR *LESS THAN 180 DAYS* IS SUBJECT TO BUSINESS TAX.**

- Property can include vacation lodging, hotels/motels, campgrounds, homes, rooms, bed-and-breakfasts, etc.
- The business tax applies to gross receipts of all fees collected including non-refundable deposits, cleaning, damage protection, etc.



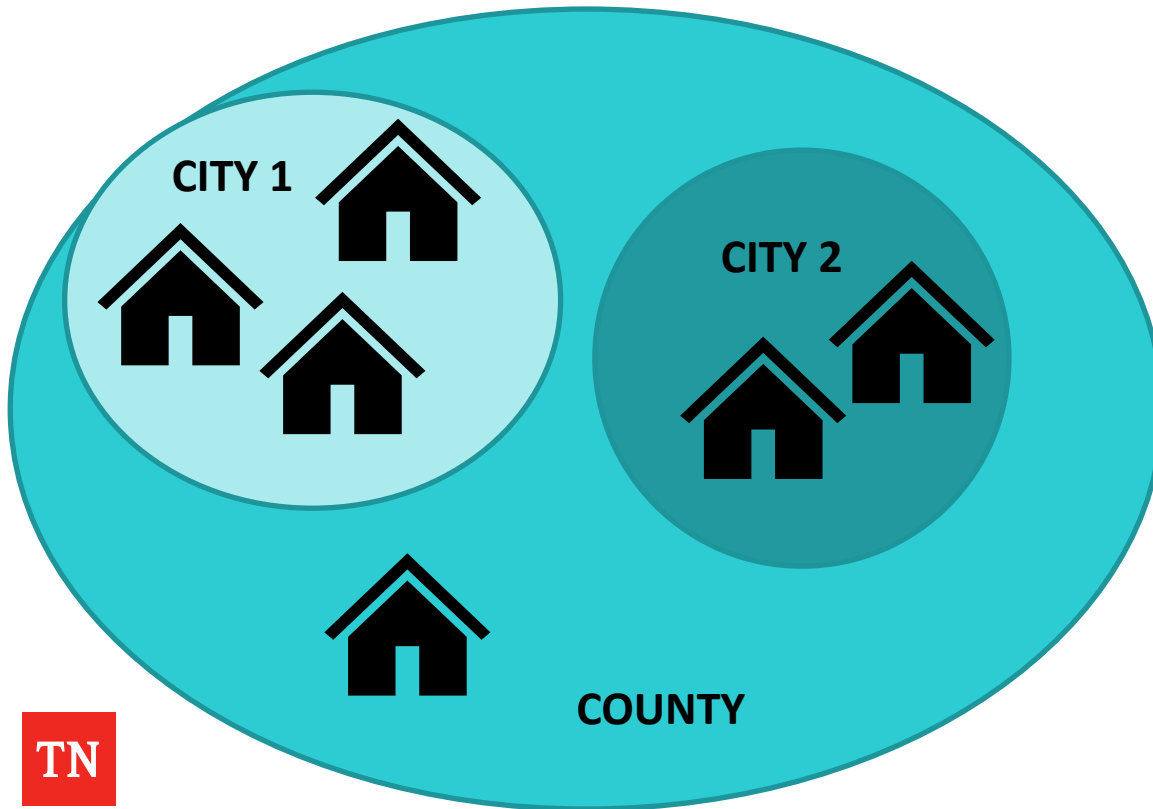
# Business Tax – Who is liable?

- **Individual property owners** renting vacation lodging must obtain a standard business license from the local official(s) and are subject to business tax if their annual taxable gross sales are \$100,000 or more in a jurisdiction.
  - For annual gross sales between \$3,000-\$100,000, a minimal activity business license should be obtained and renewed annually directly through the local official.
- **Property management companies**, not the property owner, will owe business tax based on its gross sales from overnight rentals.
- **Marketplace facilitators** are generally only subject to business tax on the commissions and fees they earn from facilitating the rental of the property owner's vacation lodging.

# Obtaining Business License/Registration

**ONLY 1 LICENSE/TAX LOCATION IS NEEDED PER JURISDICTION FOR ALL STR'S LOCATED WITHIN THE JURISDICTION.**

[LINK TO LISTING OF CITIES/MUNICIPALITIES IMPOSING BUSINESS TAX](#)



## EXAMPLE:

Owner has 6 STRs.

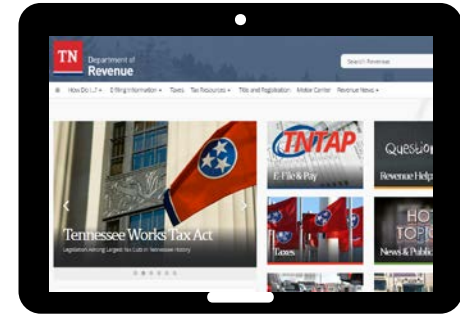
- Obtain 1 license from county (gross receipts from all 6 STRs)
- Obtain 1 license from city 1
- Obtain 1 license from city 2

The address of any STR in the jurisdiction can be used when registering.<sup>8</sup>



# Business Tax Resources

- **Business Tax Information Page**
- **Business Tax Manual**
- **Closing Business Tax Account**
- **Filing the Business Tax Return (webinar)**
- **Due Date: 15<sup>th</sup> day of 4<sup>th</sup> month following FYE**
- **Rate: 0.001875% for Classification 3**



THE NEW BUSINESS TAX/LICENSING THRESHOLD OF \$100,000 FOR STANDARD LICENSE AND TAX FILING REQUIREMENT MAY RESULT IN SOME TAXPAYERS NO LONGER REQUIRED TO PAY BUSINESS TAX. IF YOU HAVE A BUSINESS TAX ACCOUNT BUT ANTICIPATE FALLING UNDER THE \$100,000 THRESHOLD, PLEASE CONTACT US TO CHANGE THE STATUS OF YOUR BUSINESS TAX ACCOUNT TO *NOT REQUIRED AND SWITCH TO A MINIMAL ACTIVITY LICENSE*.

# STR's & Sales Tax

## **SALES TAX APPLIES TO THE RENTING OF ROOMS, LODGINGS, AND ACCOMMODATIONS FOR A PERIOD OF *LESS THAN 90 DAYS*.**

- State Rate (7%) + Local Rate ([link to local rates](#))
- Sales tax applies to all fees collected for the rental, as well as any other money that a consumer must pay to rent the accommodations, including non-refundable deposits, guest booking fees, cleaning fees, property damage protection fees, etc.
  - Cancellation fees are not subject to tax

# Sales Tax – Who is Liable?

- **Property owner rents the property directly** - owner is responsible for collecting and remitting sales tax on the bookings.
- **Marketplace Facilitator or Property Management Company books the rental** - marketplace facilitator/property management company is responsible remitting the sales tax.

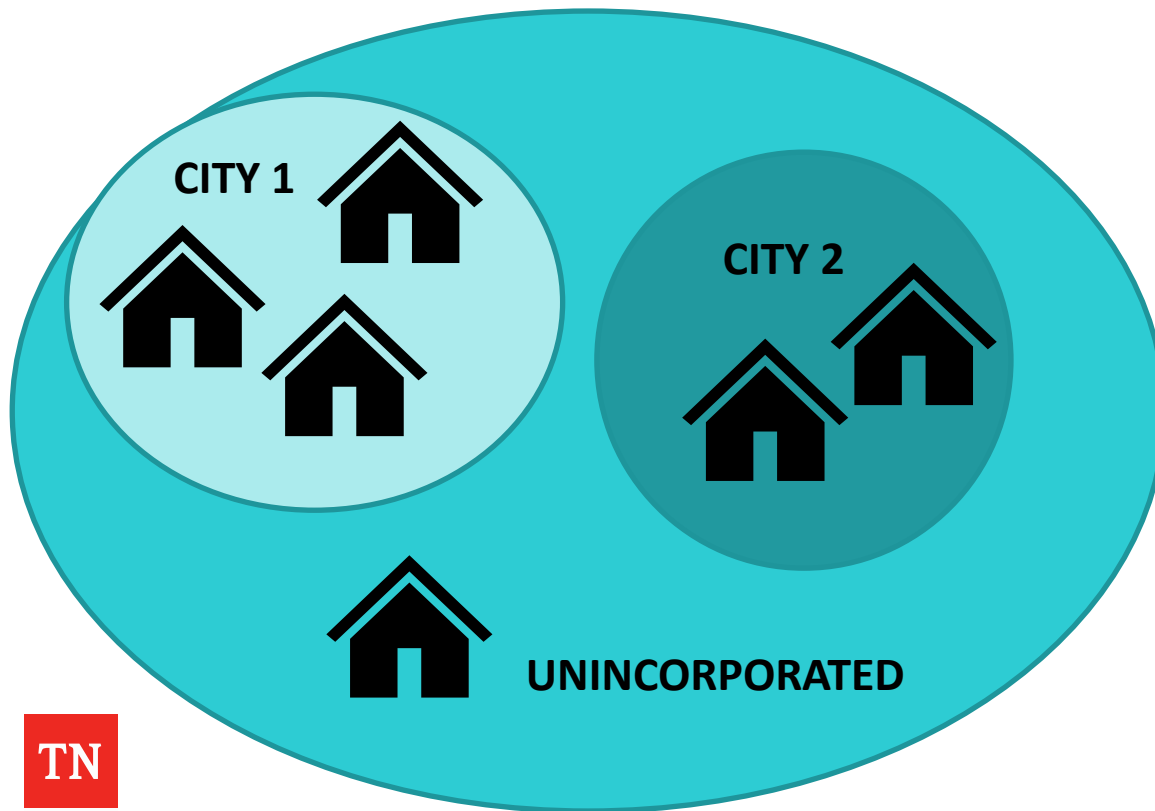
**NOTE: The tax obligations for marketplace facilitators and property management companies are different for Occupancy Tax, more on this later!**

# STR- Sales Tax Registration

One location registration is needed per jurisdiction for all STR's located within the jurisdiction. A county is considered a jurisdiction as well as a city/municipality.

## EXAMPLE:

Owner/company has 6 STRs.



- One sales tax location for the rental in the unincorporated area (include sales only for the 1 property)
- One sales tax location for city 1 (include sales from all 3 properties)
- One sales tax location for city 2 (include sales from the 2 properties)

The address of any STR in the jurisdiction can be used when registering.

# Resale Certificate

See [Resale Certificate Webinar](#)

## **WHEN TO USE:**

- ONLY for purchases intended for resale
  - Example: selling snacks, beverages, clothing or other items\*

## **WHEN NOT TO USE:**

- For purchases of items used by the owner/company
  - Example: cleaning supplies, furnishings, etc.
- For items purchased for renters to use or as gifts for renters (i.e. shampoo, coffee, etc.) unless those items are offered for sale.
  - If items purchased are offered for sale, the resale certificate may be used to purchase the items tax-free but sales tax must be charged to the customer/renter

\* Resale certificate CAN NOT be used for items that will be rented to customers, those items are subject to sales tax when the STR owner buys them and when the renter rents the items.

# Sales Tax Exemptions

**Some entities are exempt from paying sales tax on products and services, including overnight rental accommodations, sold to the exempt entity.**

- In order to be exempt from sales tax, the entity must provide proof of exemption and payment form must be in the name of the exempt entity.
  - Example 1: Renter provides a nonprofit exemption but pays using their personal credit card, sales tax *should be charged*.
  - Example 2: Renter provides a nonprofit exemption and pays using a credit card in the name of the exempt entity, *do not charge sales tax*.
- Page 247 of the [Sales Tax Manual](#) has detailed information about exempt entities.

**STATE OF TENNESSEE  
DEPARTMENT OF REVENUE**

RECEIVED BY MAIL  
4008 BAYTON BLVD, S.W.  
CHATTANOOGA, TN 37411-1215

Effective Date: July 1, 2019  
Expiration Date: June 30, 2023  
Account No: 100032816650C  
Exemption No: 104285800  
Facility Address:  
4008 BAYTON BLVD, S.W.  
CHATTANOOGA, TN 37411-1215

**Exempt Organizations or Institutions  
Sales and Use Tax Certificate of Exemption**

This organization or institution qualifies for the authority to make sales and use tax exempt purchases of goods and services that it will use, consume or give away.

This authorization for exemption is limited to sales made directly to the referenced organization. This exemption is not to be used for resale or for the sale of goods or services to the general public.

This exemption certificate is valid for the purpose of making sales and use tax exempt purchases of goods and services that it will use, consume or give away.

This exemption certificate is valid for the purpose of making sales and use tax exempt purchases of goods and services that it will use, consume or give away.

**Maintain a copy of  
proof of exemption!**

Seller's Name \_\_\_\_\_ Seller's Address (City & State) \_\_\_\_\_

I, \_\_\_\_\_, as an authorized representative of the taxpayer named above, affirm that the purchases qualify for the exemption and will be used at the location of the facility address referenced above. Under penalty of perjury, I affirm this to be a true and correct statement.

Print Name of Authorized Representative \_\_\_\_\_ Signature of Authorized Representative \_\_\_\_\_ Date \_\_\_\_\_

# Sales Tax Resources

- [Sales Tax Information Page](#)
- [Sales Tax Manual](#)
- [Closing Sales Tax Account](#)
- [Filing the Sales Tax Return](#) (also October 2023 webinar!)
- **Due Date: 20<sup>th</sup> day of month for tax collected the previous month.**

**NOTE: Even if no sales, you must file \$0 by the due date in order to avoid penalty and interest!**



# STR's & Local Occupancy Tax

**THE LOCAL OCCUPANCY TAX IS A TAX IMPOSED BY LOCAL GOVERNMENTS ON THE PRIVILEGE OF OCCUPANCY IN ANY PLACE THAT PROVIDES ACCOMMODATIONS FOR TRANSIENTS FOR A PERIOD OF *LESS THAN 30 DAYS*.**

- This tax has historically been collected by local governments.
- Beginning in 2021, short-term rental unit marketplaces that offer residential dwellings for rent for less than 30 continuous days must remit the occupancy tax to the Dept. of Revenue.
  - Hotels, bed and breakfasts, vacation lodging services and STR's booked directly by the owner or through property management company should continue remitting the local occupancy tax to the appropriate local government official.



# Occupancy Tax – Who is Liable?

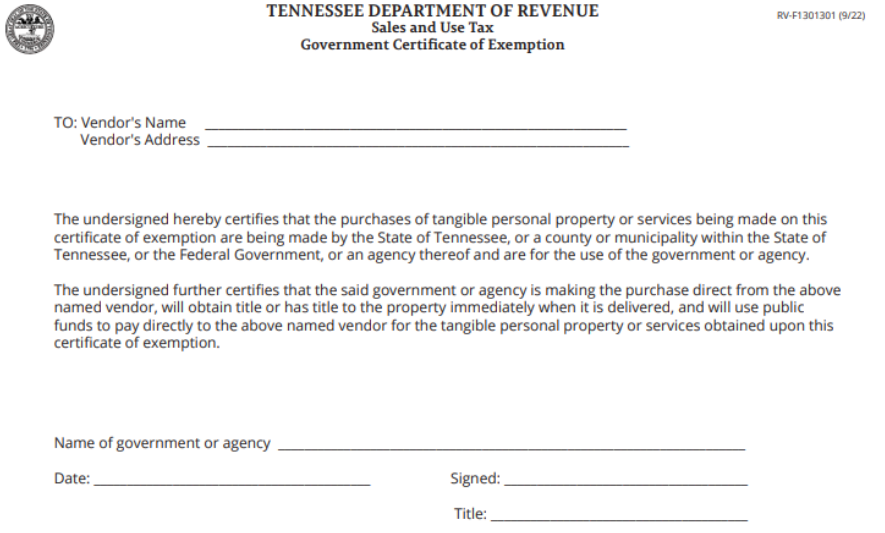
- **Property owner rents the property directly** - owner is responsible for collecting and remitting occupancy tax on the bookings *directly to the local official.*
- **Property Management Company rents the property** - company is responsible for collecting and remitting occupancy tax on the bookings *directly to the local official.*
- **Marketplace Facilitator books the rental\*** - marketplace facilitator/property management company is responsible *remitting the occupancy tax to the TN Dept. of Revenue.*

*\*The definition of short-term rental unit specifically excludes hotels and bed and breakfasts with regards to payment of occupancy tax when booked through a marketplace. Hotels and bed and breakfasts should continue remitting the local occupancy tax to the appropriate local government, even if the hotel room or bed and breakfast is listed for rent on a short-term rental unit marketplace.*

# Occupancy Tax Exemptions

## THE ONLY EXEMPTION FOR LOCAL OCCUPANCY TAX IS FOR GOVERNMENT ENTITIES.

- Ensure that the renter/customer provides proof of exemption and that the name on payment method matches the name of the government entity.



The image shows a form titled "TENNESSEE DEPARTMENT OF REVENUE Sales and Use Tax Government Certificate of Exemption". The form includes a header with the department name, a small seal on the left, and a reference number "RV-F1301301 (9/22)" on the right. Below the header, there are fields for "TO: Vendor's Name" and "Vendor's Address". The main body of the form contains two paragraphs of text. The first paragraph states: "The undersigned hereby certifies that the purchases of tangible personal property or services being made on this certificate of exemption are being made by the State of Tennessee, or a county or municipality within the State of Tennessee, or the Federal Government, or an agency thereof and are for the use of the government or agency." The second paragraph states: "The undersigned further certifies that the said government or agency is making the purchase direct from the above named vendor, will obtain title or has title to the property immediately when it is delivered, and will use public funds to pay directly to the above named vendor for the tangible personal property or services obtained upon this certificate of exemption." At the bottom of the form, there are fields for "Name of government or agency", "Date:", "Signed:", and "Title:".

TENNESSEE DEPARTMENT OF REVENUE  
Sales and Use Tax  
Government Certificate of Exemption

RV-F1301301 (9/22)

TO: Vendor's Name \_\_\_\_\_  
Vendor's Address \_\_\_\_\_

The undersigned hereby certifies that the purchases of tangible personal property or services being made on this certificate of exemption are being made by the State of Tennessee, or a county or municipality within the State of Tennessee, or the Federal Government, or an agency thereof and are for the use of the government or agency.

The undersigned further certifies that the said government or agency is making the purchase direct from the above named vendor, will obtain title or has title to the property immediately when it is delivered, and will use public funds to pay directly to the above named vendor for the tangible personal property or services obtained upon this certificate of exemption.

Name of government or agency \_\_\_\_\_

Date: \_\_\_\_\_ Signed: \_\_\_\_\_

Title: \_\_\_\_\_

# Occupancy Tax Resources

- [Occupancy Tax Information Page](#)



- **Due Date: 20<sup>th</sup> day of month for tax collected the previous month.**

**Check with local county/city officials for process and compliance requirements!**

# Other Taxes

- **Franchise/Excise Tax (F&E)** - All for-profit, foreign, and domestic entities chartered, qualified, or registered in Tennessee or doing business in TN must file the F&E tax return and pay at least the minimum tax.
  - The Taxation of Short-Term Rental Units Manual provides information on possible F&E exemptions that may be applicable for STR's.
  - RESOURCES:
    - F&E Tax Information Page
    - F&E Tax Manual
    - F&E Basics Webinar

# Example

A property owner has a chalet in Gatlinburg (Sevier County), they use vrbo.com to book the majority of the time but also have friends/family book directly with the owner. They also have a gold cart available to rent, in which case the renter pays that fee directly to the owner.

	SALES TAX	OCCUPANCY TAX	BUSINESS TAX
<b>FEES FROM BOOKINGS MADE THROUGH VRBO.COM</b>	Vrbo.com collects/remits sales tax.	Vrbo.com collects/remits occupancy tax on state sales tax return, schedule F.	Vrbo.com subject to tax on the commissions/fees earned from facilitating the rental. Property owner subject to tax on all rental fees.
<b>FEES FROM BOOKINGS MADE DIRECTLY WITH OWNER</b>	Owner collects/remits sales tax.	Owner collects/remits occupancy tax to local jurisdiction.	Property owner subject to tax on all rental fees.
<b>FEES FROM GOLF CART RENTALS</b>	Owner collects/remits sales tax.	N/A	Property owner subject to tax on all rental fees.

# Resources – [www.tn.gov/revenue](http://www.tn.gov/revenue)

The image is a screenshot of the Tennessee Department of Revenue website. At the top left is the TN Department of Revenue logo. To the right is a search bar labeled "Search Revenue" and a "Go to TN.gov" link. Below the header is a navigation bar with links: "How Do I...?", "E-filing Information", "Taxes", "Tax Resources", "Title a...", "Motor Carrier", and "Revenue News". The "Tax Resources" dropdown menu is open, showing options: "Tax Guidance", "Tax Compliance Information", "Forms", and "Tax Collections & Reporting". A white mouse cursor points to "Tax Guidance".

Below the navigation bar are several promotional tiles:

- New Business Webinar July 12**: A tile with a background image of a laptop and a cup, with the text "New Business Webinar July 12" and "Click here for more information."
- TNTAP E-File & Pay**: A tile with the TNTAP logo and the text "E-File & Pay".
- Questions? Revenue Help**: A tile with a chalkboard background and the text "Questions?" and "Revenue Help". A white mouse cursor points to it.
- Tax Webinars**: A tile with a laptop background and the text "Tax Webinars". A white mouse cursor points to it.
- Taxpayer Education & Outreach**: A tile with a laptop background and the text "Taxpayer Education & Outreach".
- HOT TOPICS News & Publications**: A tile with a grey background and the text "HOT TOPICS News & Publications".

At the bottom left is the TN logo.

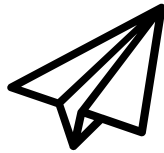
# CONTACT US!



**Please submit  
specific  
account-  
related  
questions, or  
any questions  
directly to us!**



[www.tn.gov/Revenue](http://www.tn.gov/Revenue)



[Revenue.Support@tn.gov](mailto:Revenue.Support@tn.gov)



615.253.0600 (Tax Call Center)



500 Deaderick St.  
Nashville, TN 37242

# Follow us!



***@TennesseeDepartmentOfRevenue***



***@TNRevenue***



***@TNDeptofRevenue***



# UPCOMING!

- Next Webinar: 9/26 – Business Tax Law Changes
- New Business Workshop: 10/4/23

TO REGISTER: [www.tn.gov/revenue](http://www.tn.gov/revenue)





**PLEASE TAKE A MOMENT  
TO COMPLETE A BRIEF  
SURVEY UPON EXITING!**

**IMPORTANT:** In order to receive CPE credit for attending, you must answer yes to question 4 of the post-event survey.