



County Technical Assistance Service

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Hotel/Motel Tax

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Capitol Blvd. Suite 400
Nashville, TN. 37219
615-532-3555 phone
615-532-3699 fax
ctas@tennessee.edu
www.ctas.tennessee.edu

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Hotel/Motel Tax

Reference Number: CTAS-1639

A hotel/motel tax is a tax on the privilege of occupancy of hotel rooms. Under T.C.A. § 67-4-1401(2), the term hotel includes private, public, and government owned hotels, inns, tourist camps, tourist courts, tourist cabins, motels, short-term rental units, primitive and recreational vehicle campsites and campgrounds, or any place in which rooms, lodgings, or accommodations are furnished to transients for consideration. Prior to July 1, 2021, counties levied the hotel/motel tax by private act (with the exception of counties with a metropolitan form of government, which use a general law, T.C.A. § 7-4-101 *et seq.*)

Modifying, Levying, and Repealing Hotel/Motel Tax —Public Chapter 496 became effective on July 1, 2021. The law allows a county (except for those with a metropolitan form of government) to levy, modify, or repeal a privilege tax by resolution (rather than by private act) subject to the following restrictions: (i) the tax must not exceed 4% of consideration charged to the occupant of the hotel; (ii) subject to other provisions discussed below, a hotel/motel tax authorized before the effective date of this act that exceeds the limit remains in full force and effect; and (iii) this does not void or modify a private act, ordinance, or resolution authorizing the levy of the privilege tax. T.C.A. § 67-4-1402.

Under T.C.A. § 67-4-1403, revenue received by the county from the tax must be used for tourism purposes. However, revenue from a tax levied before July 1, 2021, may continue to be used in the same manner described in the private act or resolution. Counties are not authorized to change the use of revenue of a preexisting tax except for tourism purposes. See Title 67, Chapter 4, Part 14 of the Tennessee Code Annotated.

Short-Term Rentals —Short-term rentals are residential dwellings that are rented wholly or partially for a fee for less than 30 continuous days but do not include a hotel defined in T.C.A. § 68-14-302 or a bed and breakfast as defined in T.C.A. § 68-14-502. See T.C.A. § 67-4-1501(5).

Title 7, Chapter 4 and Title 67, Chapter 4 of the Tennessee Code Annotated define a short-term rental marketplace as a person or entity, (excluding vacation lodging services), that provides a platform for compensation, between a third-party who offers to rent a short-term rental to an occupant. Examples of short-term rental marketplaces are Airbnb and VRBO. Vacation lodging services are engaged in the business of providing management, marketing, booking, and rental or short-term rental units. One example of a vacation lodging service is a cabin rental company.

Hotel/motel taxes on short-term rental units secured through a short-term rental marketplace must be collected and remitted by the short-term rental marketplace to the department of revenue for distribution to the local government levying the tax, in accordance with Title 67, Chapter 4, Part 33, of the Tennessee Code Annotated. Vacation lodging services are not responsible for collecting and remitting hotel/motel taxes to the department of revenue but may be responsible for remitting such taxes to the county if required by private act or resolution.

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