

Short Term Rental Units

Frequently Asked Questions

This document is a summary to serve as a quick reference regarding the proposed ordinance, but it does not describe the ordinance in full. To ensure that you can comply with the Short Term Rental Unit ordinance, please review the [proposed ordinance here](#).

What is a Short Term Rental Unit and where are these allowed in the City of Knoxville?

Briefly, Short Term Rental Units are properties that are rented for overnight lodging for less than 30 days at a time, excluding certain types of dwellings or commercial operations.

In residentially zoned districts, Short Term Rental Units are allowed only at the owner's principal residence. In non-residential districts, Short Term Rental Units are available even if an owner does not live at the Unit or where an owner has given permission to a tenant. Short Term Rental Units are not allowed in districts where residential uses are not allowed by the Zoning Code.

The operation of a Short Term Rental Unit in the City of Knoxville requires a Permit, as described further in this FAQs document. If you want to find out how your property is zoned, visit [KGIS here](#).

Do I need a Permit before advertising my short term rental?

Yes, Short Term Rental Unit operators are required to obtain a Permit prior to advertising their property for rental on a short-term basis. All advertisements must contain the Short Term Rental Unit Permit number issued by the City.

How can a person or entity obtain a permit for a Short Term Rental Unit?

Eligible persons or entities will submit a Permit application to the City of Knoxville Business License & Tax Office, located in Suite 450 of the City County Building (400 Main Street, in Downtown Knoxville). The application must be made in person. Staff will review the application materials and issue a Permit to applicants who meet all requirements.

In residentially zoned districts, only an owner who resides at the Short Term Rental Unit is eligible to obtain a Permit—this is referred to as a Type 1 Permit. The owner seeking a Type 1 Permit must be a natural person (i.e., no corporations or LLCs). The owner must also establish that they reside at the Short Term Rental Unit by providing at least 2 documents as identified in the ordinance.

In non-residential districts, an owner or a tenant may obtain a Type 2 Permit for a Short Term Rental Unit. A tenant is eligible for a Type 2 Permit if the tenant has received permission from the owner of the Unit, as indicated by the owner's signature on the Permit application. If the tenant obtains a Type 2 Permit, the owner is still liable for activity at the Short Term Rental Unit.



Additionally, in non-residential districts, the owner is not required to be a natural person. However, a person or entity can only hold two (2) Type 2 Permits at once, city-wide.

How much does it cost to get a Short Term Rental Unit Permit?

For new applications, the Permit fee is \$70 for a Type 1 Permit or \$120 for a Type 2 Permit. Additionally, City and County business licenses may be required; business licenses are \$15 per jurisdiction.

How long is my Permit good for?

Type 1 Permits are good for one year from the date of issuance or until the transfer of the property, whichever occurs first. Type 2 Permits are also good for one year from the date of issuance. If an entity holding a Type 2 Permit is sold, the seller and buyer may need to take a few extra steps that are specified in the ordinance. In any case, a Permit may be revoked according to the process laid out in the ordinance.

Are inspections required for Short Term Rental Units?

Generally, no. Short Term Rental Units are not required to undergo an inspection before the issuance of a Permit or before operation. Upon application, the burden is on the owner to certify that the Unit has smoke detectors, carbon monoxide detectors, and fire extinguishers—all in good working order. The Fire Marshal and other City officials reserve the right to make inspections to verify or correct life safety issues at the Unit.

Any modifications to the Unit likely would require a building permit, which would, in turn, require an inspection. If you have questions about building permits, contact the Plans Review & Inspections Department at (865) 215-3669.

Do I need to provide copies of my insurance policy or policies?

The City does not require documentation of insurance to obtain a Permit. However, for your peace of mind and for the benefit of your occupants, please note that some homeowners' and rental insurance policies do not provide coverage for rental activity on a short term basis. If you have any questions about coverage and your liability, check with your insurance provider and with the Hosting Platform.

Is there a limit on the number of days that a Unit can be rented in a year?

No, there is no limit on the number of days that a Unit can be rented during a year. However, Type 1 Permit holders must maintain the Unit as their primary residence; information to the contrary will be investigated.



Can I rent my house while I am away?

Yes, for both Type 1 and Type 2 Permits, the Permit holder is not required to be present during the occupancy. If you go out of town during a rental, though, be sure that your local agent is available to respond to calls or complaints within forty-five minutes.

How many people can occupy a Short Term Rental Unit?

The number of occupants in a Short Term Rental Unit shall not exceed the sum of two (2) people per bedroom plus two (2) additional people. Due to state law regarding fire safety, the maximum occupancy of any Short Term Rental Unit, regardless of the number of bedrooms, shall not exceed 12 people at one time, including any transients renting the unit and anyone who resides or is otherwise staying at the Unit.

Do I have to pay taxes? What is involved in filing and remitting taxes on rentals?

Benjamin Franklin got it right: Yes, you must pay taxes. The City of Knoxville, Knox County, and the State of Tennessee all have a role in the collection of taxes for the operation of Short Term Rental Units. Each of these taxes are explained in more detail below.

- **Occupancy Tax:** Locally, operators of Short Term Rental Units must collect occupancy privilege tax from their guests and remit these taxes to the City of Knoxville. This tax must be paid by *all* permit holders. Illegal operators will also be held responsible for paying this tax to the City, which may include back taxes. The occupancy tax is a privilege tax upon the transient occupying the lodging; the rate is 3% of the compensation charged for the occupancy. Per City ordinance and as allowed by state law, this tax is used to pay off the debt from the construction of the Convention Center.

Even if you do not have guests during a month, you must file a monthly occupancy privilege tax document. This filing and any tax is due by the 20th of each month for the previous month using a form that will be available through the Business License & Tax Office. If you make up to but not over \$3,000 on the Short Term Rental Unit, this is the only tax you need to remit.

- **Sales Tax and Gross Receipts Tax:** The State of Tennessee also collects sales tax and gross receipts tax. Sales tax is due to the State regardless of the income produced by the Unit. In order to pay sales tax, you need to register with the State and [pay the tax online](#).

Depending on revenue generated by the Short Term Rental, a business license is needed in order to remit the gross receipts tax. If you make between \$3,000 to \$9,999 from the Short Term Rental Unit, you will have to apply for a Minimal Activity License from the City and the County. If you make over \$10,000, you will have to apply for a City and County Business Tax License and you'll also pay the gross receipts to the TN



Department of Revenue [here](#). You cannot pay this tax without a business license, though.

In order to get your City business license, for minimal activity or for activity over \$10,000, fill out a [business license application here](#). Bring your business license application to Suite 450 in the City County Building. Bring a check for \$15 or you can pay with a card. You will need to do the same thing to obtain a County business license; the application is [here](#) and the County Business License Office is in the Old Courthouse at 300 Main Street in Downtown Knoxville.

What happens if I don't get a Permit for my Short Term Rental Unit?

You are breaking the law. If you operate a Short Term Rental Unit without the required Permit, you will be found in violation of City of Knoxville's Code of Ordinances and subject to enforcement action. Citations with civil penalties may be issued for violations. The City of Knoxville plans to employ enforcement software to aid in monitoring permitted and unpermitted operations of Short Term Rental Units.

What if I already operate a Short Term Rental Unit? Can I continue to operate it?

It depends. Currently, Short Term Rental Units are not allowed per the City's Zoning Code. There is no established right to continue operations of an illegal use. Any Short Term Rental Unit already operating must apply for and receive a Permit; however, based on the zoning classification where the Unit is located, existing operations may not be eligible for a Permit.

How can I decrease the impacts of my Short Term Rental Unit on my neighbors?

Great question! Be a good neighbor and expect your occupants to be so as well. Although the City has not received many complaints about short term rental operations to date, the City anticipates occasional issues at Short Term Rental Units for on-street parking; activity associated with arriving and departing; and late night outdoor socializing. House rules and clear expectations for your occupants can be established to address these issues. For example, be sure that your guests know where to park, where to discard trash, and when to quiet down for the evening. Persistent complaints may result in the revocation of your Permit.

What is the process if I have concerns or think my neighbor is not complying with the City's regulations?

We recommend that you talk to your neighbor first—many issues can be resolved through better communication and simple changes. However, if you believe your neighbor is not meeting the regulations of their Permit or lacks a Permit, you may submit a complaint by calling (865) 215-4311. Issues requiring immediate attention outside of business hours should be referred to KPD's non-emergency number at (865) 215-7000. Of course, if there is an emergency, call 911.



What are the restrictions on noise, sound equipment, and loud music?

There are no special rules for Short Term Rental Units regarding noise. The noise restrictions found in the City of Knoxville Code of Ordinances are applicable to all property. Permissible noise depends on the use of the property and many of the restrictions can be found in [Section 18-3](#) of the Code of Ordinances.

Are there any special considerations if I live in a condominium or if I am a tenant?

The City of Knoxville recommends that you review your lease or ownership documents before submitting an application. Receiving a Permit does not override any lease agreements, homeowners' association bylaws, restrictive covenants, or any other agreement, law, or regulations that prohibit subletting or use of your residence or property as a short term rental. Please note that rental tenants are not eligible to obtain a Permit in residentially zoned districts.

What is the process for renewing permit?

The renewal process will be similar to the first-time application process. You will be required to submit an application and payment to Business License & Tax Office, along with proof that you have maintained residency at the Unit, if applicable, and that you have maintained other applicable licenses. Renewal fees are \$50 a year.

Who should I contact if I have further questions?

While the Short Term Rental Unit initiative is a joint effort of numerous City departments, the program is administered by the Business Tax & License Office. If you have questions, please contact Revenue Administrator Donna Dyer at (865) 215-2083 or ddyer@knoxvilletn.gov.