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*Comptroller*

**BULLETIN NUMBER 2021-01**

**TO:** Assessors of Property  
**FROM:** Stephanie Maxwell, General Counsel   
**DATE:** April 1, 2021  
**RE:** Guidance on Implementation of Tenn. Code Ann. § 67-5-801(b)

In 2020, the General Assembly passed Public Chapter 787. Section 11 of that act, which became effective January 1, 2021, amended Tennessee Code Annotated, Section 67-5-801(b), by designating the existing language as subdivision (1) and adding two new subdivisions. Subdivision (2) states:

Notwithstanding subdivision (b)(1), when a parcel of real property is the principal residence of its owner, contains not more than one (1) rental unit, and is used as a short-term rental unit, as defined by § 13-7-602, the assessor of property should presume the classification of the property is residential.

Subdivision (3) states:

When a parcel is classified as residential under subdivision (b)(2), the same owner of the property may request residential classification for a maximum of one (1) additional parcel in this state and the assessor of property should presume residential classification when the one (1) additional parcel meets the following conditions:

- (A) The parcel of real property contains not more than one (1) rental unit;
- (B) The property is used as a short-term rental unit, as defined by § 13-7-602;

(C) The owner of the property lives on the property a minimum of fourteen (14) days each year or at least ten percent (10%) of the number of days the property is rented as a short-term rental unit, whichever is greater; and

(D) The owner of the property annually files a written affidavit with the assessor of property by September 1 of the prior year verifying that the property meets all requirements and the owner has no more than one (1) additional parcel in addition to their principal residence under this section.

Tenn. Code Ann. § 13-7-602 defines “short-term rental unit” as “a residential dwelling that is rented wholly or partially for a fee for a period of less than thirty (30) continuous days and does not include a hotel as defined in § 68-14-302 or a bed and breakfast establishment or a bed and breakfast homestay as those terms are defined in § 68-14-502”. Our interpretation of Public Chapter 787 is that it is limited to those properties that meet this definition. Subdivision (2) provides that an assessor of property should presume residential classification of real property that is (1) the principal residence of its owner, (2) contains not more than one rental unit, and (3) is used as a short-term rental unit.

If a property owner has satisfied the three provisions contained in Subdivision (2), Subdivision (3) allows that owner to request that one additional parcel be assessed residentially if it meets the requirements of subdivision (3), that (1) it contains not more than one rental unit, (2) it is used as a short-term rental unit, (3) the owner lives on the property a minimum of fourteen days each year or at least 10% of the number of days the property is rented as a short-term rental unit, whichever is greater, and (4) the owner annually file a written affidavit with the assessor by September 1. It is the owner’s responsibility to file the affidavit annually with the assessor of property by September 1, with no grace period. The additional parcel can be located anywhere in the state, and the second parcel does not have to be in the same county as the first parcel. Additionally, the language of the statute creates a presumption as to the residential classification of these properties. If an assessor discovers that a parcel of property is used for short-term rental, and the requirements for residential classification enumerated in this statute are not met, then the assessor should assess the property commercially.