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Airbnb and Tennessee Reach Tax Deal.

Some Chattanooga rental hosts and local officials say an agreement allowing Airbnb to collect state and local sales taxes on short-term rentals in Tennessee is a good thing, but it doesn't go far enough.

The home-sharing company said Thursday it has reached an agreement with the Tennessee Department of Revenue to collect and remit the 7 percent state sales tax, plus local sales taxes in varying rates, on rentals rather than relying on its 7,700 Tennessee hosts to do so.

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Airbnb spokesman Benjamin Breit said in a news release taxes generated from Tennessee bookings last year were worth $13 million. The revenue department can't say how much of that was actually remitted, spokeswoman Kelly Cortesi said, because the state doesn't break out and track taxes collected on home-sharing.

Breit said that with the tax agreement in place, "the state will be able to fully capitalize on people visiting Tennessee and staying longer through home sharing. This agreement will ensure all of this revenue is collected in a way that is easy for the hosts and state."

But the agreement doesn't cover city or county hotel-motel tax, which totals another 6 percent.

A couple of local hosts said it only makes sense for Airbnb to collect all the taxes.

Presenting a bill with 9.25 percent in sales taxes listed and then asking the guest for 6 percent more looks bad, said John Queen, whose North Chattanooga property stays busy with bookings.

"That kind of screws up the plan a little. It makes us look greedy," Queen said.

"How can you say, 'This tax doesn't include the hotel, and you pay me and I'll pay the city.' They're going to say, 'Right.'"

Otherwise, hosts will have to raise rates or just eat the 6 percent hotel-motel tax, he said. "They need to do the whole thing."

Host Phil Cross said having Airbnb collect taxes would be a help to him and also might help assure a level playing field by identifying hosts who don't have business licenses.

That's a big problem in the fast-growing home-sharing market.

Hamilton County Trustee Bill Hullander's office collects hotel-motel taxes for the county and its municipalities. He said "maybe 45 or 50 [home-share hosts] are participating like they're supposed to. In my opinion, there's probably that many more out there that aren't."

He said his office has been working with Airbnb on a separate agreement to collect the local hotel-

motel tax for Chattanooga and the other municipalities that have home-sharing.

“We’re probably months away from that happening, if we can get it worked out,” Hullander said.

Cross said he got his business license and paid his taxes from the start, but it’s hard to compete with under-the-table operators.

“That’s a big tax burden to do this. If somebody’s not doing that, they’re putting 17.25 percent in their pocket, or they’re reducing their nightly rate.”

Queen said the same thing.

“I am perfectly fine with paying the taxes, Chattanooga invested a lot in the city to make it attractive, I just don’t want to be the only one among five houses [used for home-sharing in his neighborhood] to do it,” he said.

Chattanooga has taken its own steps to regulate short-term rentals, setting up a district where they’re welcome and creating rules for operation. In December the city council voted to contract with Host Compliance LLC to monitor the industry. The company will use computer algorithms to track rentals and the city will match those with business-license lists. If caught without a license, operators will have 30 days to get legal.

Kerry Hayes, deputy chief of staff for Mayor Andy Berke, said Host Compliance is just now getting started in the city and it’s too early to see results.

Hullander and the local hosts noted the agreement announced Thursday doesn’t apply to other home-sharing companies such as HomeAway and VRBO.

Cortesi said taxpayer confidentiality rules prevent her from saying whether the state is negotiating for similar agreements with other home-sharing companies.

By Judy Walton

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