



State of Tennessee
PUBLIC CHAPTER NO. 972

HOUSE BILL NO. 1020

By Representative Cameron Sexton

Substituted for: Senate Bill No. 1086

By Senator Stevens

AN ACT to amend Tennessee Code Annotated, Title 5; Title 6; Title 7; Title 13; Title 56; Title 62; Title 66; Title 67 and Title 68, relative to short-term rental units.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 7, is amended by adding the following new part:

13-7-601.

This part shall be known and may be cited as the "Short-Term Rental Unit Act."

13-7-602.

As used in this part:

(1) "Effectively prohibit" means a local governing body acts or fails to act in a manner that prevents a property owner from using the owner's property as a short-term rental unit after reasonable compliance with generally applicable local laws;

(2) "Generally applicable local law" means an ordinance, resolution, regulation, rule, or other requirement of any type other than zoning enacted, maintained, or enforced by a local governing body that applies to all property or use of all property and does not apply only to property used as a short-term rental unit;

(3) "Used as a short-term rental unit" means the property was held out to the public for use as a short-term rental unit, and:

(A) For property that began being held out to the public for use as a short-term rental unit within the jurisdiction of a local governing body that required a permit to be issued or an application to be approved pursuant to an ordinance specifically governing short-term rental units prior to using the property as a short-term rental unit, a permit was issued or an application was approved by the local governing body for the property; or

(B) For property that began being held out to the public for use as a short-term rental unit within the jurisdiction of a local governing body that did not require a permit to be issued or an application to be approved pursuant to an ordinance specifically governing short-term rental units, the provider remitted taxes due on renting the unit pursuant to title 67, chapter 6, part 5 for filing periods that cover at least six (6) months within the twelve-month period immediately preceding the later of:

(i) The effective date of this act; or

(ii) The effective date of an ordinance, resolution, regulation, rule, or other requirement by a local governing body having jurisdiction over the property requiring a permit or an

application to be approved pursuant to an ordinance specifically governing short-term rental units;

(4) "Local governing body" means the legislative body of a city, municipality, county, or other political subdivision of this state that has authority to enact a zoning ordinance, resolution, regulation, rule, or other requirement of any type regarding land use in its jurisdiction;

(5) "Prohibit" means to forbid or ban the operation of short-term rental units, either permanently or temporarily, within a local governing body's jurisdiction, portion of the local governing body's jurisdiction, or a portion of an owner's property;

(6) "Property" means a tract of land as recorded with the register of deeds office of the county where the property is located;

(7) "Provider" means any person engaged in renting a short-term rental unit and includes an owner of a residential unit that is made available through a vacation lodging service as that term is defined in § 62-13-104;

(8) "Residential dwelling" means a cabin, house, or structure used or designed to be used as an abode or home of a person, family, or household, and includes a single-family dwelling, a portion of a single-family dwelling, or an individual residential dwelling in a multi-dwelling building, such as an apartment building, condominium, cooperative, or timeshare; and

(9) "Short-term rental unit" or "unit" means 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.

13-7-603.

(a) Except as otherwise provided in subsection (b), an ordinance, resolution, regulation, rule, or other requirement of any type that prohibits, effectively prohibits, or otherwise regulates the use of property as a short-term rental unit shall not apply to property if the property was being used as a short-term rental unit by the owner of the property prior to the enactment of the ordinance, resolution, regulation, rule, or other requirement by the local governing body. The ordinance, resolution, regulation, rule, or other requirement in effect at the time the property began being used as a short-term rental unit is the law that governs the use of the property as a short-term rental unit until the property is sold, transferred, ceases being used as a short-term rental unit for a period of thirty (30) continuous months, or has been in violation of a generally applicable local law three (3) or more separate times as provided by § 13-7-604. For purposes of this subsection (a), an ordinance, resolution, regulation, rule, or other requirement is in effect at the time it is lawfully enacted by the local governing body and not the time in which it is introduced for consideration by the local governing body.

(b) Notwithstanding subsection (a), an ordinance, resolution, regulation, rule, or other requirement of any type enacted prior to January 1, 2014, that prohibits or effectively prohibits the use of property as a short-term rental unit may apply to any property within a local governing body's jurisdiction, regardless of the property's existing use. However, this subsection (b) applies only to ordinances, resolutions, regulations, rules, or other requirements that expressly limit the period of time a residential dwelling may be rented, and does not apply to ordinances, resolutions, regulations, rules, or other requirements that generally prohibit commercial activity or the renting of residential dwellings to transients.

13-7-604.

(a) Section 13-7-603 does not prevent a local governing body from prohibiting the continued use of property as a short-term rental unit if, as a direct result of the operation of the short-term rental unit, the unit has been in violation of a generally applicable local

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law three (3) or more separate times, and the provider has no appeal rights remaining for any of the three (3) violations. The burden of proof that a violation of a generally applicable local law was a direct result of the operation of the short-term rental unit is on the local governing body.

(b)

(1) The local governing body may authorize short-term rental units through a permitting or application process.

(2) Notwithstanding this part to the contrary, a local governing body that authorizes short-term rental units through a permitting or application process pursuant to subdivision (b)(1) may suspend the continued use of property as provided in § 13-7-603(a) during the time that the unit does not maintain a permit or approved application if the permitting or application requirements are reasonable.

(3) Nothing in this subsection (b) extinguishes a provider's right to continued use of property as a short-term rental unit set out in § 13-7-603(a) unless the property is sold, transferred, ceases being used as a short-term rental unit for a period of thirty (30) continuous months, or has been in violation of a generally applicable local law three (3) or more separate times as provided by subsection (a).

(c) A local governing body that accepts public complaints regarding the operation of short-term rental units in its jurisdiction pursuant to a permitting or application process shall assure that all complainants are notified that any false complaint made against a short-term rental unit provider are punishable as perjury under § 39-16-702.

(d) If a local governing body prohibits, effectively prohibits, suspends, or otherwise regulates property used as a short-term rental unit that is also subject to § 13-7-603(a), the provider may challenge the prohibition, regulation, suspension, or regulation as in conflict with this part through a civil action or appeal. The circuit or chancery court has jurisdiction of any appeal instituted by a provider pursuant to this subsection (d) and review is de novo.

13-7-605.

Nothing in this part prohibits:

(1) A condominium, co-op, homeowners association, or other similar entity from prohibiting or otherwise restricting an owner of property within the jurisdiction of the condominium, co-op, association, or other similar entity from using the owner's property as a short-term rental unit as provided for in the entity's governing documents;

(2) A lessor, through the terms of a lease agreement, from restricting the use of the leased property as a short-term rental unit; or

(3) A property owner from placing a restrictive covenant or easement on the property that restricts the future use of the property as a short-term rental unit as authorized under existing law.

13-7-606.

This part supersedes any ordinance, resolution, regulation, rule, or other requirement of any type enacted, maintained, or enforced by a local governing body that is in conflict with this part.

SECTION 2. Tennessee Code Annotated, Section 68-14-302(6), is amended by adding the following language to the end of the subdivision:

"hotel" does not include a short-term rental unit, as defined in § 13-7-602;

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SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.

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PASSED: April 24, 2018



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES



RANDY MCNALLY
SPEAKER OF THE SENATE

APPROVED this 17th day of May 2018



BILL HASLAM, GOVERNOR