



This guide is for anyone that wants to open a short-term rental business in Fayette County. It will help you understand all the license, tax and zoning ordinances and regulations that go hand-in-hand with hosting a short-term rental.

This guide is intended to supplement any information/guidelines that may have been provided by a short-term rental company. This guide is not intended to be a substitute for legal advice.

What is a short-term rental?

Airbnb, FlipKey, HomeAway, Vacation Rental by Owners (VRBO) and any other type of rental that meets the definition below are all considered short-term rentals.

A short-term rental is defined as...

A dwelling, unit or room that is rented, leased or assigned for a tenancy of less than thirty consecutive days in duration and where no meals are served or provided by the host to any guest. A short-term rental may be owner occupied or non-owner occupied.

A short-term rental *does not include* hotel or motel rooms, extended stay lodging, bed and breakfast homes and/or inns. The term applies to tourist and guest homes.

1. Get a business permit (aka occupational license)

Anyone that opens a business in Fayette County must obtain a business permit (also known as an occupational license).

Lexington has a [step-by-step online guide](#) to help you through this process. You will need to submit an application for a business permit. The application cost is \$100 and may be submitted in person or by mail. Go to lexingtonky.gov for complete details.

2. Taxes

A. Paying taxes

As a short-term rental host, you are required to pay taxes on the rental income you receive. These taxes include:

- 8.5% local transient room tax
- 1% state transient room tax
- 6 % sales tax

Note: As of February 1, 2018, the city of Lexington and AirBnB have an agreement wherein AirBnB will collect and remit the 8.5% local transient room tax on your behalf. You are still liable for the 1% state transient room tax and the 6% Kentucky sales tax. Please review your contract and correspondence with AirBnB.

Taxes are a cost that you may want to pass on to your customer. (Remember that as a host, you are liable for the taxes whether you pass them along to your customer or not.)

For example, if you charge a \$100 rental fee, the total tax amount owed would be \$16.07. If you want to pass those taxes on the customer, their total bill would be \$116.07 See the below rate card for details.

Room Rate	\$ 100.00
8.5% Local Transient Room Tax	8.50
1% State Transient Room Tax	1.00
Taxable Amount	\$ 109.50
6% Sales Tax	6.57
Total	\$ 116.07

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B. Filing income taxes

Any earnings you receive from rentals may be subject to the local net profits occupational license fee. You will find information about this when you register for your business permit (step 1).

Consider consulting with a financial advisor for accounting and tax advice.

3. Zoning ordinances and regulations

As a short-term rental host, you must adhere to Fayette County zoning ordinances and regulations. The following ordinances are applicable to your rental.

- A.** During any given week a home/room can only be rented for one booking. This means that over the course of a year the maximum number of bookings is 52.
- B.** Any room or portion of a dwelling that is rented cannot function as a second dwelling unit on the property, which means that living areas and kitchen facilities must be shared among all of the occupants.

C. In general, there is a limit of four unrelated (meaning non-family) individuals that can occupy a single dwelling unit. This limit includes renters and any other occupants of the dwelling.

Questions about zoning issues?

Please contact the Division of Planning at (859) 258-3160.

Helpful tip

Be respectful of your neighbors! The better job hosts do of keeping neighbors happy and undisturbed will greatly increase your ability to be a successful host

Living in a community means we should be considerate and conscientious. Where to start? Introduce yourself to your neighbors and build a good relationship. Share your contact information.

Your house? Your guests? Your responsibility. Please keep in mind that you may be cited or fined by the City for creating a disturbance or violating other provisions of the City Ordinances.

4. Other considerations

As with any business, there are other considerations you should be aware of when operating a short-term rental. You should consider consulting with a legal advisor for assistance with any legal issues that may be involved with this type of business.

Some of these considerations include:

A. Insurance

Review your insurance policies and consult with your agent to make sure that they cover injuries, accidents or losses arising from the use of the property by renters.

B. For renters: get your landlord's approval

If you rent your apartment, townhouse, home, etc., check with your landlord before using it as a short-term rental. Many rental properties are not open to short-term subleasing/renting. If short-term leasing/renting is allowed, be sure to get the agreement in writing from the property owner so that there are no disputes down the road.

C. Restrictive covenants

Review your property deed for restrictive covenants. Owners who live in a development or subdivision with a deed of restriction covenant should determine if the covenant regulates rental activity.

D. Occupancy agreements

This is optional, but consider seeking legal advice to determine if a different form of ownership is needed to provide anonymity or protection from individual liability and to

prepare an occupancy agreement specific to the arrangement the owner wishes to establish with the renter.

Disclaimer

Every attempt has been made to ensure that the information contained herein is complete, up-to-date and accurate. However, this does not release the owner or host from their obligation to verify the information and the obligation to comply with the regulations listed above and any other applicable rules or requirements, governmental or private.

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