



# How to Start an Airbnb Business



Airbnb is a website that connects people who want to rent with people who have places to rent. Most renters are seeking short-term rentals but long-term rentals are also available.

An Airbnb property can be as small as an “extra space” rental of one room, with a bathroom or shared bathroom. It can be an RV site, an apartment, or a huge entire home.

No matter the size, an Airbnb can be a profitable option for anyone hoping to earn extra income. You can run one, hoping to earn extra money, or run more properties and make it your full-time job in a full-time rental business.

## How to Start an Airbnb Business If You Don't Own Property

Your search for an Airbnb property should start with local zoning regulations. In some areas, “short-term rentals” are not permitted.

Once you've cleared that hurdle, do your market research. What's the competition? What are monthly rental rates for apartments and houses in the area?



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## 1. Decide on Your Budget

If you're purchasing a property, you should know your limit on a listing price. You'll be able to calculate all the costs for the property, including mortgage, homeowners' insurance, taxes, and utilities.

At the same time, you'll also need to calculate other factors, such as the cost to furnish the property, including linens and towels, and outfit the kitchen.

## 2. Choose Your Rental Market

Who are your customers? Are you seeking business travelers from the corporate world, or is your property near local attractions such as an amusement park or historic site?

## 3. Name Your New Airbnb Host Business

Before naming the new business, savvy hosts check to see what names are currently being used in the area.

For example names such as "mountain retreat" or "Beach Escape" describe the location, but are commonly used, especially for vacation rentals. You may want to add a personal touch such as "Laura's Mountain Retreat" or "Jimmy's Beach Escape."



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That will make it easier for happy customers to spread the word, specifically, about the amazing experience they had renting your Airbnb. You'll get more bookings.

## 4. Form a Legal Business Entity

The majority of hosts choose the Limited Liability Company (llc) as the legal entity. An llc is a good pick for an Airbnb rental, as it protects your personal assets. If you're a real estate investor with a personal residence and multiple Airbnb rentals, you can put all the rentals under one llc umbrella.

## 5. Get Your Taxes in Order

You'll of course pay real estate taxes, along with everyone else who owns real estate. You'll also pay sales tax and a local occupancy tax (often called a hotel tax).

You can arrange for Airbnb to collect and pay the hotel tax. You'll have to pay the sales tax, which should be calculated monthly. You can pay sales tax monthly or quarterly.

Make sure you carefully keep track of expenses, such as the cleaning, any repairs, or replacement of aging furniture, linens, towels, and kitchen supplies. If you



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keep track of expenses, filing taxes at the close of the year will be much less time-consuming. You'll file information about profit from your airbnb rental on a schedule C.

## 6. Choose a Location

Potential guests want a peaceful Airbnb rental experience, and having easy access to parking is important. It may also be important that entrance to the property is easy – no long staircase, for example.

Another factor for successful airbnb hosting is having your rental in a nice neighborhood.

## 7. Sort Out Permits and Licenses

Airbnb businesses can't operate in areas where local zoning does not allow you to use a property as a short-term rental.

You'll need a business license to operate a business rental. The license might be called a TOT certificate or a Lodgers Tax License. You'll need to register your small business with the local county agency that collects hotel tax.



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## 8. Open a Business Bank Account

If you make more than \$20,000 a year or conduct more than 200 transactions via the Airbnb site, you'll get a 1099-K from Airbnb. Having a specific business bank account makes all the involved accounting easier.

At tax time, you can deduct expenses such as fees charged by Airbnb, such as a reservation fee, which can range from 1-20%, depending on the nightly cost for your rental.

## 9. Acquire Business Insurance

You'll need homeowners insurance on the property, to cover it on the days it is not rented. Airbnb provides a \$1 million damages insurance policy.

You'll also need business insurance to cover general liability and property-casualty. Additional insurance you may need is workers' compensation insurance if you hire people to clean the property.



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## 10. Look at Properties on the Market

You can look at other Airbnb real estate available in your area, checking out the amenities they offer and their costs.

That will give you an idea of how much you can charge per night. As with any startup or small business, you may not have a strong rental rate when you're getting started.

When you look at properties, make a list of improvements that the property may need before it can be offered as a rental property. How much will it cost to make your rental space attractive? Although it costs money, you may want to hire a contractor to provide estimates.

## 11. Buy the Property

Every real estate transaction includes extra costs such as transfer taxes, real estate commissions, and filing fees. You'll typically need a 20% down payment to purchase a property, and should expect to pay mortgage origination costs.



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## 12. Create an Airbnb Business Plan

One of the best features of having your listing stand on the Airbnb website is that hundreds of people will see it. You won't have to devote a lot of time to marketing.

If you or a group of people are running the Airbnb here are some more tips:

1. Describe the business structure. Who is the host, and who is in charge? Who is going to respond to complaints?
2. What is the preferred customer base for the property?
3. What are the income predictions?
4. How will we receive payments?
5. What are the recurring costs (cleaning, utilities, furniture, and equipment replacement)?

## 13. Create Your Airbnb Listing

You'll need high-quality photos to make your property stand out, especially if you have special features such as a fireplace, or a great view.

Hiring a professional photographer is a good choice. With professionals taking images, and paying attention



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to lighting and other details, your property will be shown off to its greatest advantage.

You'll also list amenities, which can be kitchen gear such as a coffee maker or air fryer. You'll list the number of bedrooms and the number of people you expect to use the rental, and if you'll allow extra guests.

Many business travelers won't choose a property if it doesn't have high-speed internet.

## 14. Be Successful Small Business Owners of an Airbnb Business

Hosts get ratings based on how they respond to customers. As any small business owner knows, one bad review can be very damaging.

In any house, things break. The water heater can fail, and a storm can knock out power.

To be a successful owner, you must be a responsive host. Remember that reviews of hosts, and renters, are public. Be responsive to customers, be available without being intrusive, and you'll have a successful Airbnb business.



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## How to Start an Airbnb Business as a Property Owner

If you already own a property, your first job is to check local zoning to see if short-term rental properties are allowed.

Then you'll look into your specific permits, licenses, and insurances.

## How Much does it Cost to Start an Airbnb Business?

There are many variables in the cost, especially for the basics – whether you already own or plan to purchase a property.

If you already own a property, of course, costs will be lower. If you want to rent a room, your main cost may be to add a door, so that the renter can have a private entrance, for example.

## Things You Should Know Before Starting an Airbnb Business

You should know that it's not easy, especially as you're getting started.



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For example, your initial list of renting rules may be updated, especially if you have issues with renters.

## Renting Rules and Guest Rules

You must be in compliance with the existing rules of a homeowner's association or condo/apartment complex.

You may also list specific rules for your property, such as limiting the number of guests. If you allow pets, you may say “no dogs can be left unattended” or similar. You'll also name check-in and check-out times, and quiet times.

## Maintenance

There are things you may let go in your house – that slight drip from the bathroom sink, and the small area of frayed carpet in the living room. But you'll have to keep up with all required maintenance to be a good host.

You'll have to make sure you have smoke/carbon monoxide detectors, and that you have the correct number and proper placement. You'll have to meet all local building code requirements and will most likely have to have an inspection before you start renting. Many hosts – especially if they have multiple properties – hire a property management company instead of



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handling day-to-day management themselves, even though it's an extra cost.

## Pricing

You'll specify a per night rate and a security deposit. You can compare it to other Airbnb rates in your area. You'll know if the price is too high if you're not getting many bookings.

## Is Airbnb a profitable business?

Yes. Whether you're renting a room or an estate, with a good business plan you should clear a good profit.

## How do I make money with Airbnb?

As with any rental, costs are deducted from profit. How much money can you make? That depends.

Airbnb income and your profit margin is directly related to your expenses. For example, are you running an Airbnb in a northern or southern climate? You'll have heating and cooling costs to calculate.

Are there things you can do yourself, such as minor repairs? Do you have time to handle the cleaning?



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How do I start an Airbnb business with no money?

If you already own property, you shouldn't have to spend an exorbitant amount of money to get your new business running. But renters are going to want cleanliness and quality. Your costs may be what's required to upgrade your kitchen equipment, furnishings, linens, and towel.

**Thank you**