

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 1753

STATE OF NEW JERSEY 218th LEGISLATURE

DATED: JULY 2, 2018

SUMMARY

Synopsis:	Imposes State sales and use tax and hotel and motel occupancy fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations.
Type of Impact:	Annual revenue gain to State General Fund; potential annual revenue gain for local governments.
Agencies Affected:	Department of the Treasury; local governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2019</u>	<u>FY 2020 and thereafter</u>
State Revenue Gain		Indeterminate
Potential Local Revenue Gain		Indeterminate

- The Office of Legislative Services (OLS) expects the bill to produce an annual increase in State sales and use tax and hotel and motel fee revenues from newly imposing the tax and fee on the rent charged for each occupancy of a room in a transient accommodation in the State; however, the OLS lacks sufficient data to quantify the magnitude of the gain in the fiscal years following enactment.
- Local governments which choose to impose applicable local taxes and fees authorized pursuant to the bill are anticipated to receive indeterminate annual increases in revenue. Certain municipalities, such as Atlantic City, may generate additional revenues since those municipalities are authorized to impose local taxes and fees exclusive to those districts.

BILL DESCRIPTION

This bill subjects charges of rent for providing transient accommodations in this State to the State sales and use tax and the State hotel and motel occupancy fee. In addition, the bill authorizes municipalities to impose the following taxes and fees on transient accommodations:

- Hotel Occupancy Tax (C.40:48E-1 et seq.);
- Atlantic City Luxury Tax (C.40:48-8.15 et seq.);
- Atlantic City Promotion Fee (C.40:48-8.45 et seq.);
- Cape May County Tourism Sales Tax (C.40:54D-1 et seq.);
- Cape May County Tourism Assessment (C.40:54D-1 et seq.);
- Municipal Occupancy Tax (C.40:48F-1 et seq.);
- Sports and Entertainment Facility Tax (C.34:1B-190 et seq.); and
- Meadowlands Regional Hotel Use Assessment (C.5:10A-82 et seq.).

Certain local taxes and fees are restricted to specific municipalities. For example, the Atlantic City Luxury Tax and the Atlantic City Promotion Fee are currently imposed on the rent charged for the occupancy of a hotel room within Atlantic City. Thus, only the taxes and fees a municipality is currently authorized to impose on the rent charged for the occupancy of a hotel room may be imposed on the rent charged for the occupancy of a transient accommodation following the enactment of the bill.

The bill exempts a campsite, cabin, lean-to, or other similar residential facility of a campground or an adult or youth camp. Additionally, the bill exempts from taxation furnished or unfurnished properties which are made available by the lessor and where the keys to the property, regardless whether a physical key or keyless locking mechanism is used to access the property, are provided to the lessee at the location of an offsite real estate broker licensed by the New Jersey Real Estate Commission, and leases of real property with a term of at least 90 consecutive days. The bill treats permanent residents and charitable, non-profit organizations that lease or rent transient accommodations consistent with how those individuals and organizations are treated for purposes of hotel and motel occupancies.

The bill imposes certain data keeping requirements on persons engaged in the business of providing hotel rooms or transient accommodations for rent. The bill's tax and fee provisions take effect on the first day of the first full calendar quarter beginning at least 90 days following the bill's date of enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the bill to produce an annual increase in State sales and use tax and hotel and motel fee revenues from newly imposing the tax and fee on the rent charged for each occupancy of a room in a transient accommodation in the State; however, the OLS lacks sufficient data to quantify the magnitude of the gain in the fiscal years following enactment. Additionally, local governments which choose to impose applicable local taxes and fees authorized pursuant to the bill are anticipated to receive annual increases in revenue. Certain municipalities, such as Atlantic City, may generate additional revenues since those municipalities are authorized to impose local taxes and fees exclusive to those districts.

The OLS notes that data concerning rental properties which would qualify as a transient accommodation pursuant to the provisions of the bill and the rates being charged for access to those transient accommodations are unavailable. Additionally, various municipalities have considered or acted to ban the rental of transient accommodations, which has the potential to

reduce the number of transient accommodation rentals available in the State. Thus, the OLS cannot quantify the overall impact of the bill on State and local revenues due to an absence of necessary data and a changing landscape in the rental of these transient accommodations.

Nevertheless, as an example, publicly reported information (<https://www.nj.com>, 5/8/2018) references an announcement made by the online marketplace and hospitality service, Airbnb, which stated that 8,100 active hosts in New Jersey earned roughly \$7,300 in extra income. Based on these factors, annual earnings for all New Jersey hosts would be roughly \$59.1 million on an annual basis. Had these transient accommodations been taxable, combined revenue from the State sales and use tax and the State hotel and motel occupancy fee would have yielded approximately \$6.9 million. The OLS notes that New Jerseyans who offer their transient accommodations through Airbnb and other online marketplaces represent but a portion of those short-term rentals which would be considered taxable transient accommodations. Thus, the \$6.9 million in revenue attributable to taxing transient accommodations listed with Airbnb likely represents a lower amount than total revenues that could be anticipated.

Moreover, the OLS notes that a greater portion of the State's tourism lodging industry includes furnished or unfurnished private residential properties provided through a real estate broker, which are not subject to taxation pursuant to the bill. The OLS is unable to determine the number of rental properties which would otherwise be considered transient accommodations pursuant to the bill, absent being facilitated through a real estate broker. The OLS cannot predict the number of lessors of transient accommodations who may instead choose to list with a real estate broker as part of certain tax planning measures upon enactment of the bill.

Section: Revenue, Finance and Appropriations

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).