

LEGISLATIVE FISCAL ESTIMATE
[Second Reprint]
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 4814 and 4520
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JULY 15, 2019

SUMMARY

- Synopsis:** Makes transient accommodation taxes and fees only applicable if it is obtained through a marketplace or if it is a professionally managed unit.
- Type of Impact:** Annual State revenue loss to General Fund; potential annual revenue loss to local governments.
- Agencies Affected:** Department of the Treasury; Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue	Indeterminate Decrease
Local Revenue	Indeterminate Potential Decrease

- The Office of Legislative Services (OLS) expects an annual decrease in State revenues and a potential annual decrease in local revenues as a result of the bill limiting the categories of transient accommodation rentals on which several State and local government taxes and fees are either imposed or authorized to be imposed. However, the OLS lacks sufficient information to quantify the fiscal impacts.

BILL DESCRIPTION

This bill narrows the scope of P.L.2018, c.49, which extended certain State and optional local government taxes and fees imposed on charges for a hotel room to rentals of certain other hotel-like transient accommodations. Newly taxable transient accommodations included rentals made through transient space marketplaces as well as rentals that are made directly by the homeowner, for example, through classified listing sites, local newspaper ads, referrals from friends or family, or placing a sign on the home. The bill limits newly taxable transient accommodation rentals to rentals of professionally managed units and rentals obtained through a transient space

marketplace or travel agency, as long as the transient space marketplace or travel agency does not exclusively offer transient accommodations owned by the marketplace or travel agency.

As of October 1, 2018, the State collects the State sales and use tax, the State hotel and motel occupancy fee, and the Meadowlands regional hotel use assessment on charges associated with the rental of hotel-like transient accommodations. Certain municipalities are also authorized to impose the following taxes on those charges: the municipal occupancy tax, the sports and entertainment facility tax - Millville, the Atlantic City luxury tax, the Atlantic City promotion fee, the Cape May County tourism tax and assessment, and the hotel occupancy tax.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the bill to annually decrease State revenues and potentially decrease annual local revenues. Specifically, the bill limits the categories of transient accommodation rentals on which several State and local government taxes and fees either are imposed or may be imposed. As a result, the bill is expected to lower State revenue by reducing the number of taxable transient accommodation rentals throughout the State. However, the OLS lacks sufficient data to predict the number of transient accommodation rentals that would be newly exempt from taxation under the bill. The OLS, therefore, cannot quantify the fiscal impact of the bill.

Current law allows certain municipalities to impose various hotel occupancy taxes and fees. Municipalities that choose to impose these taxes and fees may extend them to generally taxable categories of hotel-like transient accommodation rentals. If this bill is enacted into law, municipalities that choose to extend local hotel taxes and fees to hotel-like transient accommodations would collect a lower amount of additional revenues because the taxes and fees would apply to a smaller number of taxable rentals than permitted under current law. In its most recent guidance regarding the taxes imposed on charges for the rental of hotel-like transient accommodations, issued March 1, 2019, the Division of Taxation noted that it had not received any notice from municipalities extending local hotel occupancy taxes and fees to hotel-like transient accommodations.

During the FY 2020 budget process, the Department of the Treasury indicated that the State sales and use tax applied to hotel-like transient accommodations yielded \$2.3 million through the end of January 2019 and was expected to generate \$8 million in total during FY 2019. Hotel-like transient accommodations increased hotel and motel occupancy fee collections by about \$1 million during that same time period. The OLS notes that hotel-like transient accommodations did not become taxable until October 1, 2018, and therefore were tax-exempt during the summer of 2018, with summer being the peak of New Jersey's tourism season. Hotel-like transient accommodations can be anticipated to generate higher revenues in FY 2020, as P.L.2018, c.49 will be in effect for the entire fiscal year, including the peak summer season.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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