

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2412

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JULY 2, 2020

SUMMARY

- Synopsis:** Requires refund or credit for transient and short-term rental reservations when public emergency or state of emergency is in effect.
- Type of Impact:** Temporary State revenue loss to the General Fund; potential revenue loss to local governments.
- Agencies Affected:** Department of the Treasury; Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2020 and Thereafter</u>
State Revenue Decrease	Indeterminate
Local Revenue Decrease	Indeterminate

- The Office of Legislative Services (OLS) expects the bill to result in an indeterminate decrease in State revenues and a potential decrease in local revenues. State and local revenue losses will vary from year-to-year depending on whether states of emergencies are ordered and will be temporally limited because the bill’s provisions expire four months following the expiration of any state of emergency, public health emergency, or travel restrictions put in place.
- To the extent that customers are provided with a refund for a reservation or booking of a transient accommodation or short-term rental housing accommodation, the State will experience a loss of hotel occupancy fee revenues and sales and use tax revenues because any taxes paid will be included in the refund. Similarly, municipalities may incur a loss of hotel and motel occupancy tax revenues.

BILL DESCRIPTION

The bill requires a transient space marketplace, owner of a private short-term rental housing accommodation, real estate broker or agent, and any other person that collects payments from a guest to provide a refund or credit for a reservation or booking for a transient accommodation or

private short-term rental housing accommodation in the State that would occur during a public health emergency or a state of emergency, or both, declared by the Governor and in effect, or when a travel restriction is in place. The transient space marketplace, owner of a private short-term rental housing accommodation, real estate broker or agent, and any other person that collects payments from a guest must provide the refund or credit to the guest for the use of the transient accommodation or for the use of the private-short term rental housing accommodation under these emergency conditions, notwithstanding any policy of the transient space marketplace or private short-term rental housing accommodation requiring payment in full in advance, or not allowing any refunds, or any other policy to the contrary.

The transient space marketplace, owner of a transient accommodation or private short-term rental housing accommodation, real estate broker or agent, and any other person that receives payments from a guest would refund, or provide as a credit for future use, their respective share of payments received from a short-term rental transaction. An owner of a transient accommodation or a private short-term rental housing accommodation must refund, or provide as a credit for future use, any payments from a guest that are received by the owner, but which were first collected by a transient space marketplace, real estate broker or agent, or any other person that collects payments from a guest prior to transmittal to the owner.

Additionally, with respect to the Public Health Emergency and State of Emergency declared by the Governor in Executive Order 103 of 2020 concerning the coronavirus disease 2019 pandemic, a refund or credit would be provided for any reservation or booking for a transient space or private short-term rental housing accommodation in the State for any period beginning on or before March 9, 2020, if the timeframe of the reservation concluded on or after March 9, 2020.

With respect to any transaction made by a guest for a reservation or booking, pursuant to the bill, where such transaction was executed on or after June 1, 2020, the guest must provide a cancellation notice to the relevant entity no less than 30 days prior to the date of the reservation or booking to receive a refund, or credit, in full pursuant to the provisions of the bill.

The bills also provides that a guest who, notwithstanding the public health emergency, state of emergency, or travel restriction, utilized the transient accommodation or private short-term rental housing accommodation would not be eligible for a refund or credit.

The bill expires on the first day of the fourth month next following the conclusion of the public health emergency, the state of emergency, or the travel restriction, whichever occurs later.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill may result in an indeterminate decrease in State revenues deposited in the General Fund and local hotel occupancy taxes and fees. The bill requires a transient space marketplace or the owner of a private short-term rental accommodation to provide a refund or credit for future use under certain circumstances. The total amount of State and local revenue losses will be driven by the total amount of refunds paid and the duration of any state of emergency, public health emergency, or travel restrictions put in place.

To the extent that refunds are provided, the State will experience a limited decrease in State sales and use tax revenues and State hotel and motel occupancy fee revenues because any taxes or fees paid will be refunded to the customer.

Current law allows certain municipalities to impose various taxes and fees for the occupancy of a hotel room. Municipalities that choose to impose these taxes and fees may extend them to generally taxable categories of hotel-like transient accommodations and private short-term rental accommodations. To the extent that refunds are provided, municipalities will experience a limited decrease in local hotel taxes and fees. Information available through the Division of Taxation, most recently updated on March 25, 2020, indicates that one municipality has extended its hotel occupancy tax to hotel-like transient accommodations.

Section: Revenue, Finance, and Appropriations

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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.).