

LOCAL FINANCE NOTICE

JAMES E. MCGREEVEY
GOVERNOR

SUSAN BASS LEVIN
COMMISSIONER

JOSEPH P. MONZO
ACTING DIRECTOR

Hotel and Motel Occupancy Fee

P. L. 2003, c. 114 (N.J.S.A. 54:32D-1), imposing a State hotel and motel occupancy fee and authorizing a municipal hotel and motel occupancy tax, was signed into law on July 1, 2003 by Governor James E. McGreevey. While the New Jersey Division of Taxation has provided municipalities with information on the provisions and application of the newly enacted law (see www.nj.gov/treasury/taxation/hotelfeeinfo.htm), this Local Finance Notice is intended to assist municipalities in the implementation of the law as it relates to the annual budget.

To participate in this program, the governing body of a municipality must adopt an ordinance and impose the tax at a percentage rate not to exceed 1 percent on charges of rent for every occupancy on or after July 1, 2003 through June 30, 2004 and not to exceed 3 percent on charges of rent for every occupancy on or after July 1, 2004.

This authority does not apply to those municipalities that have existing authority to impose local sales taxes. This includes a first class city or a city in which the tax was previously authorized under N.J.S.A. 40:48E-1 et seq., N.J.S.A. 40:48-8.15 et seq., or N.J.S.A. 40:54D-4. These municipalities should review the statutes to determine its application to their circumstances.

An ordinance adopted for this purpose in 2003 takes effect on the first day of the first full month occurring **30** days after the date of transmittal of the ordinance to the State Treasurer. The effective date for ordinances adopted in 2004 is the first day of the first full month occurring **90** days after the date of transmittal of the ordinance to the State Treasurer. A copy of a sample ordinance may be obtained from the League of Municipalities at www.njslom.org/ml070203b.html.

Revenue Projection Certification Required

Similar to the procedure required for any new fee imposed by the governing body to be anticipated in the annual budget, a certified copy of the adopted ordinance must be submitted to the Director of the Division of Local Government Services.

In addition to the ordinance, the chief financial officer is required to submit a certification of the amount of tax to be anticipated in the annual budget and a calculation of how the anticipated amount was determined. To assist in preparing the calculation, the attached model will satisfy the Division's requirement. While exact numbers may not be obtained from every hotel and motel, the CFO must make reasonable estimates. The model represents the minimum information the Division requires. The elements of the certification include:

- a list of each covered hotel or motel, the number of rooms;
- an average daily rate for the facility;
- an estimated annual occupancy calculation;
- the amount of tax from each facility;

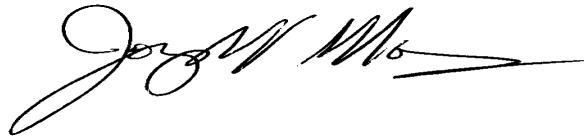
- the number of months the tax will be collected during the year; and ,
- a total amount.

In submitting the certification and calculation to the Division, please keep in mind the effective dates of the municipal ordinance and the State schedule of distribution of monies to the municipalities.

- For local ordinances adopted in 2003, there will be a two-month delay between the effective date of the ordinance and the actual distribution of tax monies by the State Treasurer.
- For local ordinances adopted in 2004, there will be a five-month delay between the effective date of the ordinance and the distribution of funds.

The amount of revenue anticipated in the annual budget and the certification by the chief financial officer must anticipate these payment schedules and the actual amount of revenue to be realized in a fiscal year.

If you have any questions on the required certification and the anticipation of hotel and motel occupancy tax in your budget, please contact the Bureau of Financial Regulation at 609-292-4806 or by e-mail at dlgs@dca.state.nj.us.



Joseph P. Monzo, Acting Director
Division of Local Government Services

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