

**Hotel/Motel State Occupancy Fee  
And Municipal Occupancy Tax  
(effective 08/01/03)  
01/29/07**

Legislation enacted in 2003 (P.L. 2003, c. 114) imposed a 7% State Occupancy Fee on the rent for every occupancy of a room in a hotel, motel or similar facility in most New Jersey municipalities, between August 1, 2003 and June 30, 2004.

For occupancies **on and after July 1, 2004**, the Fee was reduced to 5%. A hotel/motel is a building regularly used and kept open for the lodging of guests, including bed and breakfasts, inns, etc. The State Occupancy Fee is imposed on the room rentals that are currently subject to the 7% New Jersey sales tax and is in addition to the sales tax.

**Special Rate Provisions:** Since Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood already impose local taxes or fees on hotel/motel occupancies, the new State Occupancy Fee is imposed at a lower rate in those areas:

**Newark & Jersey City:** State Occupancy Fee is 1%

**Atlantic City:** State Occupancy Fee is 1%

**The Wildwoods:** State Occupancy Fee is 3.15%

On and after July 1, 2004, although the general State Occupancy Fee rate was reduced from 7% to 5%, the State Occupancy Fee in Newark, Jersey City, Atlantic City and the Wildwoods remained at the above rates.

**Municipal Occupancy Tax:**

Between **August 1, 2003 and June 30, 2004**, any New Jersey municipality, other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood, may adopt an ordinance which imposes a uniform municipal tax on occupancies in that municipality, which can be less than or equal to 1%.

For occupancies **on and after July 1, 2004**, the municipal tax may be imposed at a rate less than or equal to 3%. See the [Municipal Occupancy Tax List](#) for a list of municipalities that have enacted the tax.

**Effective Date:**

On and after July 1, 2004, once an adopted ordinance is received by the Division, the Municipal Occupancy Tax will be effective on the first day of the first full month following **ninety** days after receipt by the Division of the adopted ordinance. The Municipal Occupancy Tax will be reported and paid to the Division of Taxation in the same manner as the State Occupancy Fee, which is reported on the HM-100.

**Sample Municipal Ordinance:** Visit the New Jersey League of Municipalities to view a [draft of a sample ordinance](#).

**Adopted Municipal Ordinances** must be sent to: New Jersey Division of Taxation, Audit Services, P.O. Box 264, Trenton, New Jersey 08695-0264. The ordinance must be accompanied by a list of the names and addresses of the hotels and motels within the municipality. The municipality will receive a letter from the Division acknowledging receipt of the ordinance and noting the effective date of the municipal occupancy tax.

**\* Exemptions from the Fee/Tax:**

The Act provides that there is no State Occupancy Fee imposed on the rental of a room where the purchaser, user or consumer is a New Jersey State or Federal agency, instrumentality, or political subdivision, or the United Nations, or any other international organization of which the United States is a member.

**NOTE:** Other exempt organizations such as religious, educational, and charitable organizations, which may qualify for exemption from New Jersey sales and use tax on purchases are NOT exempt from the State Occupancy Fee or the Municipal Occupancy Tax which may be imposed by the municipalities. Exempt organizations which by law are not required to collect sales tax on occupancies which are directly related to their organizational purposes are also not required to collect the State Occupancy Fee or Municipal Occupancy Tax (e.g., Y.M.C.A.).

The Occupancy Fee/Tax is not imposed on the charge for the rental of a room in a hotel/motel for the **purpose of assembly** (e.g. a meeting, seminar, wedding, etc).

The Occupancy Fee/Tax is not imposed on the rental of a room to a **permanent resident**, which is a person who rents a room or

rooms for at least 90 consecutive days. As with the exemption from New Jersey sales tax, if the guest contracts up front by written contract for an occupancy in excess of 90 consecutive days, the facility is not required to bill the Occupancy Fee/Tax. If the guest vacates prior to the 90 days, the entire period of occupancy is subject to both the sales tax and the Occupancy Fee/Tax.

**Filing and Payment:** The State Occupancy Fee, as well as the Municipal Occupancy Tax, if applicable, is collected from the customer by the hotel and reported and paid to the New Jersey Division of Taxation. The monthly return ([HM-100](#)) will be sent to the facility, along with filing and payment instructions.

**Campgrounds:**

The Occupancy Fee/Tax is imposed on hotel room occupancies currently subject to the New Jersey sales tax. Campsites are treated as the rental of REAL property, which is not subject to New Jersey sales tax and therefore, also not subject to the Occupancy Fee/Tax. The rental of a trailer or a cabin that is not real property is subject to sales tax; however, it is taxable as the rental of tangible personal property, not as a hotel occupancy. Therefore, such rentals are also not subject to the Occupancy Fee/Tax.

**"Breakfast Included" occupancies:**

There are several types of lodging facilities, for example, bed & breakfasts and hotel/motel chain facilities, which provide guests with breakfast, whether continental or full service, as part of the amount charged for the accommodation. Thus, the rent for an occupancy in such facilities includes breakfast, just as it may also include free parking, use of fitness facilities, afternoon snacks and various other amenities, all of which are provided by the facility as part of the occupancy.

The total amount charged to the guest is currently subject to New Jersey sales tax. The law specifies that the Occupancy Fee/Tax is based on the same amount charged for an occupancy that is currently subject to sales tax. Therefore, for "breakfast included" occupancies, the total amount charged to the guest is also subject to the Occupancy Fee/Tax.

**Package Deals:**

**Tour Operators**

A tour operator may sell packages which include accommodations, as well as other components, such as meals, tickets, admissions, transportation, discounts etc. When a tour operator contracts with third parties to provide all of the components of the package, the operator pays any sales tax due and includes the tax expense in the package price charged to the customer. Thus, packages are sold which include any applicable taxes and Fees that were paid by the operator. The tour operator must pay the Occupancy Fee/Tax on the purchase of accommodations in a lodging facility.

The new Occupancy Fee/Tax is treated in the same manner as taxes, gratuities and other fees are currently treated in a package deal; it is part of the tour operator's expense, which is passed along to the customer as part of the package price.

**Packages sold by Lodging Facilities**

A hotel may also sell packages which include accommodations at its facility, as well as other components, such as meals, tickets, admissions, transportation, discounts, etc. The packages are generally sold including any applicable taxes and fees.

For purposes of computing the amount subject to the Occupancy Fee/Tax on a package sold by the hotel, the hotel may deduct any amounts it actually pays to an unrelated third party for the various components of the package, as well as any pass-through of applicable taxes and other fees. Thus, if a hotel contracts with other businesses to provide meals and tickets to an attraction as part of a package, the Occupancy Fee/Tax base will not include the amounts paid for meals and tickets, including applicable taxes. The balance of the package price is deemed to relate to the room occupancy and the Occupancy Fee/Tax is due based upon that amount.

If the lodging facility itself provides meals as part of a package, and the customer has the option of the same package without meals for a lower price, the amount paid by the customer for the meals portion is not subject to the occupancy fee/tax.

**Customer Billing Guidelines:** The State Occupancy Fee and the Municipal Occupancy Tax are imposed directly on the customer and must be separately stated on any bill, invoice or other document given to the customer. A vendor may not advertise that the Fee/Tax is not due, that it will pay the Fee/Tax for the customer, or that the Fee/Tax will be refunded to the customer.

**Reference:** The state occupancy fee and the municipal occupancy tax should be referred to as the New Jersey State Occupancy Fee and the Municipal Occupancy Tax.

**Inquiries** concerning the State Occupancy Fee or Municipal Occupancy Tax should be directed in writing to: New Jersey Division of Taxation, Regulatory Services Branch, P.O. Box 269, Trenton, New Jersey 08695-0269; or via [email](#).

Questions concerning the municipal ordinance should be directed to the municipality.

The State Occupancy Fee is allocated, in varying percentages, to the following: the New Jersey State Council on the Arts; New Jersey Historical Commission; New Jersey Commerce & Economic Growth Commission; New Jersey Cultural Trust. The Municipal Occupancy Tax is distributed back to the municipality.

Hotel fee information is also available on the [Division of Taxation's website](#).

**Last Updated:** Monday, 09/27/10



Treasury: [Home](#) | [Services](#) | [People](#) | [Businesses](#) | [Departments/Agencies](#) | [Forms](#)  
Statewide: [NJ Home](#) | [Services A to Z](#) | [Departments/Agencies](#) | [FAQs](#)  
Copyright © State of New Jersey, 1996-2007  
This site is maintained by the [Office of Treasury Technology](#).