



NJ Hotel/Motel Occupancy Fee Primer

The State Occupancy Fee is imposed at the rate of 5% on charges for the rental of hotel and motel rooms that are subject to sales tax. This State Occupancy Fee is in addition to the Sales Tax and the Municipal Occupancy Tax, if applicable.

The State Occupancy Fee is imposed at a lower rate in cities in which hotel and motel occupancies are already subject to a local tax (Atlantic City, Elizabeth, Newark, Wildwood, North Wildwood and Wilwood Crest).

Any New Jersey municipality, other than the aforementioned, is authorized to impose a Municipal Occupancy Tax of up to 3% on charges for hotel and motel occupancies in that municipality. The Municipal Occupancy Tax is in addition to the State Occupancy Fee and the New Jersey Sales Tax. The Municipal Occupancy Tax is collected by the State, and then issued back directly to the municipalities in which the tax revenue originated.

The legislation that created these fees and taxes states that the appropriation of the collected State Occupancy Fees was set on and after July 1, 2004 as:

- 3% of 5% (60% of total fees) to State of New Jersey (general fund)
- 2% of 5% (40% of total fees) to arts, history and tourism

The exact language is as such:

“The annual appropriations act for each State Fiscal Year, commencing with FY05, shall appropriate and distribute during that fiscal year amounts not less than the amount otherwise specified for State Fiscal Year 2004.”

A “poison pill” provision, put forward by Senator Leonard Lance, provided that if appropriations to art, history and tourism are not met, or if an amendment or supplement to an annual appropriations act should violate the provisions which call for distribution to arts, history and tourism, then the Director of the Division of Taxation shall curtail collection of the Hotel/Motel Occupancy Fee.

A3101 was signed into law in January 2020 and amends the original legislation to appropriate “amounts not less than the amount otherwise specified for State Fiscal Year 2005.” Beginning in FY22 the appropriation amounts were increased to meet the updated statute.

	FY20 Levels since 2010	New FY21 Minimum levels as per A3101	Appropriated for FY25 NJ State Budget (June 2024)
NJ State Council on the Arts	\$16 m	\$22.68 m	\$31.9m
NJ Historical Commission	\$2.7 m	\$3.84 m	\$5.5m
NJ Division of Travel & Tourism	\$9 m	\$12.76 m	\$17.6m
NJ Cultural Trust	\$500k	\$720 k	\$720k
TOTAL	\$28.2 m	\$40.0 m	\$55.72 m