



## **FREQUENTLY ASKED QUESTIONS:**

### **Ulster County Hotel, Motel & Short-Term Rental Occupancy Tax Basics and Information about the Increase to 4%**

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On December 21, 2023, the Ulster County Legislature adopted Local Law 1 of 2024, increasing the tax on rents for occupancy of rooms in hotels, motels, and short-term rentals in the County, from 2% to 4%. Individuals or businesses who operate hotels, motels, or short-term rentals in Ulster County may be responsible for collection of the tax. Rooms and properties listed on sites such as Airbnb and VRBO are included in the definition of hotels, motels, or short-term rentals (“STRs”).

#### **OCCUPANCY TAX BASICS**

Who pays the occupancy tax?

- Occupants (guests) of hotels, motels, and short-term rentals pay the tax.

Who collects the occupancy tax?

- *Operators* of hotels, motels, and short-term rentals in Ulster County are responsible for collecting the occupancy tax from occupants as a separate charge from the nightly room rent.
- An *operator* is anyone who provides lodging on an overnight basis, including traditional hotels and motels, apartment hotels, bed and breakfasts, vacation and short-term rentals, whether or not they are a business or a private individual, or if the accommodation is in a private residence.

How is the occupancy tax collected?

- Operators are liable for the collection of the tax on behalf of the County and for payment of the tax to the County.
- The Commissioner of Finance of Ulster County is responsible for administering and collecting the tax from the operators.
- Operators are required to file quarterly returns with the Commissioner of Finance including payment of any occupancy tax due on a quarterly basis.
- If a room rental is paid for on **\*\*Airbnb only\*\***, the County has authorized Airbnb to collect the occupancy tax, and for Airbnb to make payment to the County, instead of the operators.

What is required of operators to collect the occupancy tax?

- **No later than three days after commencing business, every operator shall file with the Commissioner of Finance an application for a *Certificate of Authority* empowering the operator to collect the tax from occupants.** Upon receipt of the application, the Commissioner of Finance shall issue a certificate of authority for the operator to collect the tax.
- Every operator is required to have a Certificate of Authority with Ulster County and to file a quarterly occupancy tax return, *even if no rental income is reported in a quarter, or if Airbnb collects and pays all the occupancy tax from their operations.*
- There is no cost to operators to apply for a Certificate of Authority.
- A Certificate of Authority remains effective until the operator notifies the County they are no longer operating as a hotel, motel, or short-term rental.

Once an operator is registered, what should they do to collect the tax?

- Operators should prominently display their Certificate of Authority at the location of the lodging.
- The Tax is to be stated and charged separately from the rent and shown separately on any record of the transaction.
- Operators shall keep detailed records of every occupancy including the rent paid and the tax payable and have such records available for inspection or examination at any time upon demand by the Commissioner of Finance for a period of three years.

When do operators submit payment of the occupancy tax they have collected to the County?

- *All Operators* are required to submit quarterly returns, certifying the amount of rental income and occupancy tax they collected, on the following schedule:
  - December 1 – February 28/29: Return due by March 20
  - March 1 – May 31: Return due by June 20
  - June 1 – August 31: Return due by September 20
  - September 1 – November 30: Return due by December 20
- *Operators with taxes collected from rentals outside of Airbnb, and for which Airbnb does not collect the occupancy tax,* must include payment for taxes due to Ulster County as calculated on the return.
- *Any taxes collected by Airbnb on behalf of operators* will be sent by Airbnb to Ulster County. **Operators must declare this amount, even if all income is derived from Airbnb, and include it on their quarterly return.**

What are the penalties for not registering with Ulster County as a hotel, motel, or short-term rental, not paying the occupancy tax, or paying the occupancy tax late?

- Failure to obtain and display a certificate of authority may subject unauthorized operators to a fine of up to \$1,000.00. Additional fines may be imposed for failure to file the Occupancy Tax Return Form and pay the requisite occupancy tax.

- Any payment after the 1<sup>st</sup> of the second month after the end of quarter it applies to shall be subject to a penalty of 5% per month plus interest of 1% per month. The date at which late payments are subject to interest and penalties for each quarter are:
  - December 1 – February 28/29: Interest and Penalties begin April 1
  - March 1 – May 31: Interest and Penalties begin July 1
  - June 1 – August 31: Interest and Penalties begin October 1
  - September 1 – November 30: Interest and Penalties begin January 1

Who is exempt from paying the tax?

- Any person occupying a room for more than 90 consecutive days shall be considered a *permanent resident* and shall be exempt from paying the tax.
- Occupancies by governments or other non-profit organizations exempt from sales tax may also be exempt if they provide a valid NYS sales tax exemption certificate to the operators.

Are other 3<sup>rd</sup> party companies besides Airbnb authorized to collect and pay the occupancy tax on behalf of operators?

- Not currently. Only Airbnb has a Voluntary Collection Agreement with Ulster County.

I only rent my room through Airbnb. Do I still need to file quarterly returns?

- Yes. The County requires that you file a return stating your rental income as well as the amount of occupancy tax collected. However, Airbnb takes care of the collection and payment of the tax, so you will not have to make any payment to the County for room rentals via *Airbnb only*.

How do I apply for a Certificate of Authority?

- Fill out a [registration form](#) and mail it to the Ulster County Department of Finance or email it to [deptoffin@co.ulster.ny.us](mailto:deptoffin@co.ulster.ny.us).

### **OCCUPANCY TAX INCREASE**

Why did the Occupancy Tax increase from 2% to 4%?

- The occupancy tax had been 2% since 1991. The Ulster County Executive Budget for 2024 proposed increasing it to 4% to help fund the County's Housing Action Fund and UCAT public transportation system.
- For comparison, the occupancy tax rates of neighboring counties are:
  - Delaware County – 2%
  - Dutchess County – 5%
  - Greene County – no occupancy Tax
  - Orange County – 5%
  - Sullivan County - 5%.

When does the Occupancy Tax increase?

- The increased rate of 4% applies to rent charged for nights beginning February 1, 2024.

- The increased rate will apply as of the date of the stay, not the date of the reservation
- If an occupancy spans a number of nights both before February 1, 2024 and after February 1, 2024, a rate of 2% will be payable on nights before February 1, and a rate of 4% will be payable on the night of February 1 and afterward.

Because February 1, 2024 is in the middle of Quarter 1, how should I fill out my occupancy tax return for Quarter 1, 2024?

- Every operator will receive a special occupancy tax return for Q1 2024, with income from before February 1, 2024 to be reported separately from income after February 1, 2024.
- After Q1 2024, the occupancy tax returns will look substantially the same as they have been, but with 4% instead of 2% applied to all Taxable Rental Rooms Income.

Does the higher rate of occupancy tax apply to occupancies which were paid for before February 1, 2024, when the tax increase went into effect?

- Yes, it is the operators' responsibility to collect 4% occupancy tax on every night of occupancy beginning February 1, 2024, even if the stay was first paid for prior to that date.

Why didn't the increase take effect on January 1, 2024?

- The delay of the increase until February 1, 2024, was necessary to allow for the requisite filing of the Local Law with the New York State Secretary of State.

Can I call to ask more questions about this increased rate?

- Please call the Ulster County Department of Finance at 845-340-3460 with any questions about the occupancy tax and its increase.