



UPDATE ON AUDIT ISSUES

HTX

HOTEL OCCUPANCY TAX

October 2007

I. ISSUE

The issue pertains to the treatment of Hotel Rewards Points Programs under the Hotel Occupancy Tax.

I. CITE

The New York City Hotel Room Occupancy Tax is imposed on the daily rental for every occupancy of a hotel room in the City of New York. New York City Administrative Code 11-2502. Rent includes credits allowed by the hotel operator to the occupant. Administrative Code 11-2501(7). Certain complimentary rooms are not subject to tax.

The New York City Department of Finance issued a Finance Memorandum on November 30, 2006 to explain how these provisions apply to typical member rewards points programs. Many hotel chains participate or run membership rewards programs. Hotel guests who join these programs are often able to redeem points earned for complimentary rooms or upgrades in New York City. The points may have been earned by renting hotel rooms, either in New York City or elsewhere. Points may also be purchased using cash or by purchasing other services or items, for example car rentals.

I. RECOMMENDATIONS

The Department has determined that the Hotel Occupancy Tax applies to rewards points programs in the following way:

When a member guest receives a complimentary room upgrade, the hotel must collect Hotel Tax on the value of the original room, but not on the value of the upgrade.

When a member guest redeems points for a room, the hotel is not required to collect Hotel Tax on the occupancy.