



Good morning, Chair Brannan and members of the Finance Committee. My name is Matthew Penfold, and I am the Assistant Commissioner for Real Property Tax Research and Analytics for the NYC Department of Finance. I am here today to discuss the importance of passing Intro 1208, sponsored by Council Member Ayala, which would extend the current additional tax on the occupancy of hotel rooms.

The 5.875 percent rate, which has generally been in effect since March 1, 2009, except for the third quarter of 2021 during the pandemic, will default to 5 percent on December 1, 2023.

If the City Council does not pass this extension, and the higher rate expires, we estimate the impact on the second half of Fiscal Year 2024, (part-year impact) would be \$43 million, while the cost for Fiscal Years 2025, 2026, and 2027 (full-year impact) would be \$91 million, \$94 million, and \$98 million, respectively.

As the city faces difficult budget decisions, maintaining the existing rate of the hotel occupancy tax will preserve an important revenue source without burdening residents or discouraging tourism. The existing rate will help ensure that City tax revenues are sufficient to continue to fund important public services. In closing, the Department of Finance encourages the City Council to pass Intro 1208. We appreciate the opportunity to testify, and I am here to answer any questions that you may have.



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City Hall, New York

October 30, 2023

Dear Chair and members of the committee,

Thank you for the opportunity to testify regarding Int 1208. I am Vijay Dandapani, President and CEO of the Hotel Association of New York City.

Int. 1208 proposes to extend the 0.875% hotel tax from December 1st, 2023 to December 1st, 2027. This additional tax was first imposed in 2009 in the aftermath of the Great Financial Crisis of 2008 with a two-year sunset. It has since been continually extended.

There is a mistaken notion that raising hotel taxes will not affect New Yorkers when in fact there is both a direct and corollary effect on the hotel industry. The direct effect is due to the fact that an overwhelming majority of New York hotel workers live and work within the five boroughs and the arresting effect of hotel taxes not only results in lost jobs, but also precludes much needed future job growth.

A recent study published in the reputed [Journal of Travel Research](#) noted that lodging taxes have a negative effect on hotel performance particularly from group bookings as group and meeting planners regularly practice destination shopping where pricing is critically important. I end by noting that NYC hotel occupancy still is behind 2019 numbers by nearly 6% while also trailing principal international gateway cities like London and Paris that are competitors. Hotel rates in both those cities for the month of July exceeded 2019 July rates by 35 and 79% respectively while New York City saw a 14% increase with over 20% of hotel inventory either closed or catering to the migrant crisis leaving fewer rooms for regular business.

Research shows that a two percent reduction in the occupancy tax would increase hotel stays by about 45,000 room nights per month, also increasing tax receipts for the City overall. Extending this tax rate at its current sky-high level will prevent us from recouping the jobs and revenue lost during the pandemic and keep working problem out of work.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vijay Dandapani', is written over a circular stamp. The signature is fluid and cursive.

Vijay Dandapani
President & CEO

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1228 Res. No. _____

in favor in opposition

Date: 10/30/23

(PLEASE PRINT)

Name: MATTHEW PENFOLD

Address: 59 MAIDEN LANE, FLOOR 18, NY 10038

I represent: DEPARTMENT OF FINANCE

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**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/30/23

(PLEASE PRINT)

Name: Christopher Leon Johnson

Address: Buffalo Avenue B/CNY

I represent: SELF

Address: _____

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