

NEWS FROM THE ULSTER COUNTY OFFICE OF THE COMPTROLLER

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AUDIT IDENTIFIES OVER \$250,000 IN RECOVERABLE OCCUPANCY TAX REVENUE: COMPTROLLER RECOMMENDS OCCUPANCY TAX ADMINISTRATION CHANGES

Kingston, NY (August 6, 2025)- Ulster County Comptroller March Gallagher today released the Ulster County Occupancy Tax Audit, which examined taxpayer compliance and County oversight of occupancy tax collections between December 1, 2022, and May 31, 2024. The audit, requested by County Executive Jen Metzger, focused on hotel operators who claimed exemptions, operated as all-inclusive, or reported more than \$1 million in annual revenue.

In 2024, Ulster County doubled the occupancy tax rate from 2% to 4% with plans to dedicate 25% of those funds to housing and 25% to transportation. While the rate changed, the rest of the County's occupancy law remained unmodified from the original 1991 enactment. The occupancy tax law allows operators a partial exemption from occupancy tax for those non-lodging amenities that are included in a guest's stay without a separate charge.

The audit identified \$251,756 in underpaid taxes, penalties, and interest, much of which remains uncollected. Common issues included failure to file, inaccurate filings, misapplied exemption rates and missing documentation. One operator failed to apply the updated 4% tax rate after it took effect in February 2024, resulting in over \$21,000 in lost revenue. Nearly 36% of the taxpayer compliance sample had filing errors or unsupported exemption claims.

The audit also found gaps in the administration of occupancy tax as the County relies on disconnected and outdated systems leaving filings unreviewed, payments unmonitored and delinquencies unnoticed for extended periods. In one case, a major taxpayer failed to file or pay for nearly a year before the issue was flagged during our audit.

"Ulster County residents, visitors, and lodging operators deserve a tax system that is fair, modern, and transparent," said Comptroller March Gallagher. "While the County continues to meet its occupancy tax revenue targets, inconsistent enforcement and outdated laws have created uncertainty and allowed avoidable losses. With anticipated cuts to federal aid, Ulster County must do better in collecting revenues it is already owed to preserve essential service delivery to County residents."

The audit calls for:

- Clarification of key terms such as "other charge" and "resort fee" within the occupancy tax law to reduce confusion over exemptions.
- Modernization of filing systems, including online payment, automated reminders, and integrated tax tracking.
- Stronger oversight of exemption claims, with standardized documentation and periodic reviews.
- Consistent application of penalties and interest for non-compliance.

The Department of Finance agreed with all audit recommendations and has already begun implementing several changes, including requiring supporting documentation with filings and initiating steps to modernize administration considering recent state law changes regarding short-term rental platforms. Short-term rental occupancy taxpayers were not within the scope of this audit. The County also plans to conduct a biannual review of the tax law to ensure continued alignment with industry practices.

The full audit report and the Department of Finance's response are available on the Ulster County Comptroller's website at comptroller.ulstercountyny.gov.

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