LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2780
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MAY 27, 2025

SUMMARY

Synopsis: Decreases rental motor vehicle surcharge from $5 per day to $2 per day.

Type of Impact: Annual State revenue loss.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	FY 2026	FY 2027	FY 2028
Annual State Revenue Loss	$41.5 million	$42.3 million	$43.2 million

- The Office of Legislative Services (OLS) estimates that the bill will reduce annual State General Fund revenues by approximately $41.5 million in FY 2026. The OLS anticipates that the revenue loss will increase by two percent annually, in line with recent vehicle rental surcharge revenue trends.

- According to the Department of the Treasury, the $3 portion of the vehicle rental surcharge generated an average of $38.0 million annually from FY 2022 through FY 2024. The department estimates that FY 2025 collections will total about $40.7 million.

- The $2 portion of the vehicle rental surcharge would remain unchanged under the bill. For reference, this $2 portion of the vehicle rental surcharge generated an average of $25.4 million annually from FY 2022 through FY 2024, and the department estimates it will generate $27.1 million in FY 2025.

BILL DESCRIPTION

The bill decreases the rental motor vehicle surcharge from $5 per day to $2 per day. The bill applies to rental companies doing business in New Jersey that rent motor vehicles for periods of not more than 28 days, requiring them to collect the reduced surcharge on each day of the rental period.

The current $5 per day vehicle rental surcharge consists of two components: a $2 per day surcharge dedicated to the New Jersey Domestic Security Account in the General Fund, and an additional $3 per day surcharge that is deposited into the General Fund. The bill repeals the additional $3 per day surcharge while maintaining the original $2 per day surcharge dedicated to the New Jersey Domestic Security Account.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will result in an annual decrease in State General Fund revenues of approximately $41.5 million in FY 2026. Based on recent vehicle rental surcharge revenue collections, the OLS anticipates that the State revenue reductions will increase by two percent annually. This estimate is based on vehicle rental surcharge revenue data provided by the Department of the Treasury for FY 2021 through FY 2024. The department estimates that the $3 portion of the vehicle rental surcharge will generate about $40.7 million in FY 2025.

The OLS analysis indicates that growth in recent vehicle rental surcharge revenue collections has moderated in recent years, from 6.6 percent in FY 2023, to 4.5 percent in FY 2024, and then to 1.8 percent for FY 2025. Based on this trend, the OLS projects that vehicle rental surcharges will increase by 2.0 percent annually. Therefore, State revenue decreases are estimated to be $41.5 million in FY 2026, $42.3 million in FY 2027, and $43.2 million in FY 2028, assuming similar growth trends continue. The OLS notes that actual revenue losses could vary based on several factors, including changes in tourism patterns, economic conditions affecting vehicle rentals, shifts in transportation preferences, and the potential for increased rental activity due to lower overall costs resulting from the reduced surcharge.

The bill maintains the original $2 per day surcharge dedicated to the New Jersey Domestic Security Account, which is estimated to generate approximately $27.1 million in FY 2025. The $2 portion generated an average of $25.4 million annually from FY 2022 through FY 2024. This dedicated funding source would be unaffected by the proposed legislation.

Section:	*Revenue, Finance, and Appropriations*
Analyst:	*Patrick Walsh* *Associate Fiscal Analyst*
Approved:	*Thomas Koenig* *Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).