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*An Analysis of Extending  
New Jersey's Sales and Use Tax  
to Seasonal Home Rentals*

Prepared for the  
**New Jersey Association of REALTORS®  
Governmental Research Foundation**

by the U.S. Regional Services Group of Global Insight

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## **INTRODUCTION**

Through its predecessor companies, Wharton Econometrics (WEFA), and Data Resources (DRI), Global Insight founded the modern economic forecasting industry more than 40 years ago. Always a leader in modeling and forecasting, Global Insight has combined its analytical capabilities with the deep experience of industry professionals to provide unparalleled coverage in autos, energy, agriculture, steel, telecommunications, trade, tourism, healthcare, construction, and many others. Our 325+ professional analysts, researchers, and economists on our staff of 600 employees bring expertise spanning approximately 170 industries and over 200 countries. We collect and monitor data, provide forecasts and analysis, and offer consulting advice to our clients in business, financial, and government organizations around the world.

In this report we analyze the market for seasonal rental properties in New Jersey. We describe how seasonal rental units contribute to local economies and the overall state economy. We further analyze the potential economic impact of an extension of the state sales tax to seasonal rentals, presenting our findings of the impacts seasonal rentals, and the local and state economy.

## **THE SURVEY**

Global Insight surveyed REALTORS® in the state of New Jersey regarding various aspects of seasonal rental units they have listed in four specific shore counties: Atlantic, Cape May, Monmouth, and Ocean. The respondents were asked questions about the renters of the seasonal units: whether or not they had a permanent residence in New Jersey, and if they did, in which county did they reside; how long the typical renter stayed; and whether or not they were repeat renters. They were also asked questions about the seasonal rental units themselves: how many they had listed in each county; and what the rental and vacancy rates were for the listed units over several years. An initial survey was conducted prior to the 2007 summer season, and a shorter survey followed in September 2007 concerning summer 2007 rentals.

### **Renters**

The survey response rate was greater than 10%. Based on the responses received, approximately 40% of the seasonal renters have a permanent residence in the state of New Jersey. These residents are primarily from the northeastern counties, Bergen, Passaic, Hudson, Union, and Middlesex, and from Burlington and Camden in the south. Pennsylvania is the largest supplier of seasonal renters coming from outside of the state, representing 31% of seasonal renters. Nearly all of these seasonal renters come to the shore for one week and they come with their families. More than half of the seasonal renters are repeat customers who have been returning to the shore for between 2-5 years.

## Rental Units

The number of units reported by the survey respondents, 9,873, represents 9.1% of the 109,075 total seasonal rental units, which Global Insight's Travel and Tourism Service estimates are in the state. The seasonal rental units in the sample were concentrated in three counties: Cape May (5,714), Ocean (4,108), and Monmouth (272). This is a close representation of the overall seasonal rental unit market in the state, where nearly 77% of total seasonal rental units are located in Cape May, Monmouth, or Ocean. The number of seasonal rental units in the sample for the three counties represents 11.3% of the total units in those counties. We restrict our analysis of the survey results to these three counties, the only ones for which the response rate was statistically significant. The first, Spring 2007, survey did not generate a significant response rate from Monmouth County.

Table 1 below summarizes the earlier survey findings regarding rental and vacancy rates in Cape May and Ocean counties.

**TABLE 1**

		2002	2003	2004	2005	2006
<b>Cape May</b>	Peak Weekly Rental Rate	\$2,501	\$2,597	\$2,737	\$2,758	\$2,768
	Y/Y Percent Change (%)		3.8	5.4	0.8	0.4
	Peak Vacancy Rate (%)	11.2	11.0	10.8	11.1	13.0
	Off-Peak Weekly Rental Rate	\$1,249	\$1,240	\$1,342	\$1,403	\$1,318
	Y/Y Percent Change (%)		-0.7	8.2	4.5	-6.1
<b>Ocean</b>	Peak Weekly Rental Rate	\$1,695	\$1,746	\$1,792	\$1,833	\$1,902
	Y/Y Percent Change (%)		3.0	2.6	2.3	3.8
	Peak Vacancy Rate (%)	9.5	13.4	13.0	13.5	15.8
	Off-Peak Weekly Rental Rate	\$1,258	\$1,254	\$1,289	\$1,268	\$1,345
	Y/Y Percent Change (%)		-0.3	2.8	-1.6	6.1

In both counties, weekly rental rates during the peak season, which is June through August, have been increasing in the years since 2002, although in Cape May the rate of increase has slowed in 2005 and 2006. The peak season vacancy increased by nearly two percentage points in both counties in 2006. One possible economic reason for this increase in vacancy rates was the large increase in gasoline costs that was seen across the nation. This increase in gasoline costs meant both increased driving costs to the shore, and that there was less disposable income available to be spent on other "luxury" items, such as vacations, and therefore lower rental demand. In previous work Global Insight has computed that the average increase in annual gasoline costs during this period was approximately \$465.

Other economic conditions may have also played a role in the slower rental market in 2006. The two largest providers of seasonal renters, New Jersey and Pennsylvania, have seen continued improvements in employment since 2002, and in 2002 and 2003 each had growth that was above the national level. Beginning in 2004, though, job growth, especially in New Jersey, fell below that seen in the nation, and remains well below national levels. This slowing of growth in these states may also have contributed to lower rental demand in Cape May and Ocean counties. Moreover, employment growth in 2006 slowed significantly in those New Jersey counties that have the highest proportion (based on survey results) of seasonal renters.

A slowing housing market may also have contributed to a slower rental market in 2006. In the housing boom years, many people were using the built up equity in their homes as a means of financing consumer spending. As the housing market slowed, people began to curtail some of this spending, resulting in less income available for vacations. In New Jersey especially, but also in Pennsylvania, home price appreciation slowed considerably between 2005 and 2006, mirroring a nationwide trend.

Table 2 summarizes findings from the fall 2007 survey of the 2007 summer rental season. In this case Monmouth County results are reported.

**TABLE 2**

		<b>2007</b>
<b>Cape May</b>	Peak Weekly Rental Rate	\$2,941
	Peak Vacancy Rate (%)	11.4
<b>Monmouth</b>	Peak Weekly Rental Rate	\$2,629
	Peak Vacancy Rate (%)	12.7
<b>Ocean</b>	Peak Weekly Rental Rate	\$2,749
	Peak Vacancy Rate (%)	13.2

In 2007 the housing slump deepened in the state and the economy slowed slightly. Nevertheless the shore rental market showed significant strength. Though the different sampling results for 2007 do not permit precise comparisons, it appears that occupancy rates indeed improved in 2007, to levels comparable with 2005, and rental rates increased.

## **THE ECONOMIC CONTRIBUTION OF THE SEASONAL RENTAL INDUSTRY**

The seasonal rental industry in New Jersey makes a significant economic contribution to the New Jersey economy. Here “economic contribution” refers to the amount of jobs, earnings and output that are generated via the seasonal rental industry. The first segment of the economic contribution comes from the direct spending of renters on rental units and the associated local spending of the visiting renters. The direct spending upon rental units flows through the New Jersey economy through the property owner's income as well as the cost components such as construction, maintenance, and upkeep expenditures. The visitor's spending flows through the local economy through transportation expenditures, and local spending on food, dining, shopping, and entertainment. These expenditures then ripple through the economy to generate jobs, output, and earnings.

The economic contribution measures the impact of seasonal rental units on the New Jersey economy, and the local economies of Cape May, Monmouth, and Ocean counties. Visitor spending on rental units, as well as on meals, entertainment, etc., contributes to the demand for goods and services produced by the local and regional economy. Our economic models estimate the total impact on economic activity in all sectors produced by these expenditures. These models recognize that some fraction of the incomes generated is sent out-of-state to non-resident property owners, to out-of-state suppliers, or as other out-of-state spending. The contributions of seasonal renters, via rental expenditures and visitor spending, to regional economic activity levels are presented for employment, output, and total earnings. The direct impacts (e.g., renters' spending on seasonal rental units), indirect impacts (e.g., purchases of inputs by the local businesses who supply the seasonal rental industry), induced impacts (e.g., local spending of workers and other earnings generated by the direct and indirect activity), and total impacts are presented for each of these measures.

Global Insight's Travel and Tourism Service estimates that Cape May (with 43,100 units), Monmouth (7,700), and Ocean (33,200) Counties account for almost 80 percent of all seasonal homes in New Jersey. Leisure and hospitality employment in Cape May exceeded 10,200 workers in 2005, while Ocean County employed over 17,000 workers in the sector. Monmouth County, with more extensive activity unrelated to the shore, employed almost 27,000 in the sector. The state's leisure and hospitality services sector employs over 338,000 workers and contributes \$15.4 billion to the state's output. According to our survey, Cape May County, Monmouth County, and Ocean County have average weekly rental rates of \$2,941, \$2,749 and \$2,620, respectively, during the 2007 peak rental season. Tables 3 through 6 indicate the impact of seasonal rental units upon New Jersey and the three counties.

Seasonal rental expenditures were calculated using data from our survey in conjunction with existing Global Insight data. Rental expenditures were calculated by multiplying the average peak weekly rental rate for a given area (i.e. Cape May County) times the number of rentals during the peak season. The rental expenditures number is then broken down into maintenance expenditures and landlord income. Those numbers are inputted into the

economic impact model which calculates the final impacts. Visitor spending data was computed by multiplying the peak period rental days times the average peak spending per day for several categories (food, transportation, shopping and entertainment). The expenditures for the categories were also inputted into the economic impact software in order to obtain the final impacts.

**TABLE 3**

<b>Seasonal Rental Impacts On New Jersey (2007\$)</b>	
<b>Employment</b>	
Direct	39,490
Indirect	6,877
Induced	9,191
Total	55,557
<b>Labor Income</b>	
Employee Comp.	\$ 1,808,618,936
Proprietor's Income	\$ 276,972,197
Total Earnings	\$ 2,085,591,133
<b>Output</b>	
Direct	\$ 5,809,837,633
Indirect	\$ 1,012,814,247
Induced	\$ 1,258,677,602
Total	\$ 8,081,329,682

Table 3 shows the total impact of seasonal rental units (both rental expenditures and visitor spending) upon the New Jersey economy. Seasonal tourism infuses a direct expenditure of \$5.8 billion into the New Jersey economy. This impact results directly in 39,490 jobs, with and additional 16,068 positions being indirect and induced. Total earnings are calculated at over \$2.0 billion. In addition, seasonal rental units contribute \$8.1 billion in output to New Jersey.

An examination of the components (rental expenditures and visitor spending) tells a more complete story. Expenditures on rental units totaled \$3.6 billion in 2007. This direct expenditure and, with its indirect and induced impacts on the New Jersey economy, generated 15,633 total jobs. Indirect and induced jobs totaled 4,900 positions. The resulting total earnings were \$681.7 million dollars. The bulk of total earnings came from employee compensation, which totaled \$575.8 million.

In addition, in 2007 visitor spending of \$2.2 billion accounted for an impact of 39,923 total jobs. Approximately 25 percent (10,000 jobs) of the total employment impact is located in the food and beverage sector. Entertainment (amusement, gambling and other recreation)

accounted for the next largest impact of 7,000 positions. Shopping (general merchandise stores) and gas stations result in the final two significant impacts, producing a combined total of 12,000 jobs. Of the total job impact, 11,066 jobs were indirect and induced. The visitor spending job impact represents 8.6% of New Jersey's total employment impact that is attributed to the state's tourism industry. Total earning was \$1.4 billion. The corresponding output was \$3.8 billion, with \$1.6 billion coming from indirect and induced output.

**TABLE 4**

<b>Seasonal Rental Impacts On Cape May County (2007\$)</b>	
<b>Employment</b>	
Direct	17,670
Indirect	2,241
Induced	2,457
Total	22,368
<b>Labor Income</b>	
Employee Comp.	\$ 544,141,384
Proprietor's Income	\$ 107,530,665
Total Earnings	\$ 651,672,049
<b>Output</b>	
Direct	\$2,226,467,380
Indirect	\$ 248,328,169
Induced	\$ 265,414,854
Total	\$2,740,210,394

Table 4 shows the total impact of seasonal rental units (both rental expenditures and visitor spending) upon the Cape May County economy. The total direct expenditures of \$2.2 billion is injected into the Cape May County economy. This impact results directly in 17,670 jobs, with an additional 4,698 positions being indirect and induced. Total earnings are calculated at \$651.7 million, with \$544.1 million coming via employee compensation. Finally, seasonal rental units contribute \$2.7 billion in output to Cape May County. The rental expenditure and visitor spending impacts are distinguished in the paragraphs below.

In Cape May County, the direct seasonal rental expenditure of \$1.3 billion accounted for 4,556 total jobs, with 1,405 jobs stemming from indirect and induced activities. Total earning totaled \$206.4 million. Total output in Cape May was \$1.49 billion. Indirect and induced output in Cape May summed to \$144.0 million in 2006.

In addition, in Cape May County visitor spending totaled \$878.9 million, contributing 16,408 jobs to the economy. Similar to the state, 26 percent (over 4,000 jobs) of the total employment impact is located in the food and beverage sector. Shopping (general merchandise stores) produced the next largest impact and contributed over 3,000 jobs. Gas stations and entertainment (amusement, gambling and other recreation) added almost 6,000. Visitor's spending was also responsible for \$445.2 million in total earnings in Cape May County. The associated output totaled \$1.2 billion.

**TABLE 5**

<b>Seasonal Rental Impacts On Monmouth County (2007\$)</b>	
<b>Employment</b>	
Direct	2,366
Indirect	386
Induced	483
Total	3,235
<b>Labor Income</b>	
Employee Comp.	\$ 104,446,707
Proprietor's Income	\$ 9,998,666
Total Earnings	\$ 114,445,373
<b>Output</b>	
Direct	\$ 333,951,702
Indirect	\$ 48,838,980
Induced	\$ 58,762,392
Total	\$ 441,553,072

Table 5 shows the total impact of seasonal rental units (both rental expenditures and visitor spending) upon the Monmouth County economy. The total direct expenditures of \$334 million is injected into the Monmouth County economy. This impact results directly in 2,366 jobs, with an additional 869 positions being indirect and induced. Total earnings are calculated at \$114 million, with \$104 million coming via employee compensation. Finally, seasonal rental units contribute \$442 million in output to Monmouth County. The rental expenditure and visitor spending impacts are discussed below.

Monmouth County's direct seasonal rental expenditures of \$213 million accounted for an impact of 1,013 total jobs. Of that total, 301 jobs were indirect and induced. Total earning was \$43 million. The corresponding output was \$250 million, with \$37 million coming from indirect and induced output.

In addition, in Monmouth County visitor spending of \$121 million in 2007 contributed 1,654 jobs to the economy. Over 26 percent (over 400 jobs) of the total employment impact is located in the food and beverage sector. Visitor's spending was also responsible for \$71 million in total earning in Monmouth County. The associated output totaled \$192 million.

**TABLE 6**

<b>Seasonal Rental Impacts On Ocean County (2007\$)</b>	
<b>Employment</b>	
Direct	13,208
Indirect	1,916
Induced	2,526
Total	17,650
<b>Labor Income</b>	
Employee Comp.	\$ 484,494,110
Proprietor's Income	\$ 72,524,416
Total Earnings	\$ 557,018,526
<b>Output</b>	
Direct	\$ 1,627,114,581
Indirect	\$ 224,436,180
Induced	\$ 284,058,379
Total	\$ 2,135,609,118

Table 6 shows the total impact of seasonal rental units (both rental expenditures and visitor spending) upon the Ocean County economy. The total direct expenditures of \$1.6 billion is injected into the Ocean County economy. This impact results directly in 13,208 jobs, with an additional 4,442 positions being indirect and induced. Total earnings are calculated at \$557.0 million, with \$484.5 million coming via employee compensation. Finally, seasonal rental units contribute \$2.1 billion in output to Ocean County. The rental expenditure and visitor spending impacts are discussed below.

Ocean County's direct seasonal rental expenditures of \$950.5 million accounted for an impact of 3,576 total jobs. Of that total, 1,396 jobs were indirect and induced. Total earning was \$186.0 million. The corresponding output was \$1.1 billion, with \$157.0 million coming from indirect and induced output.

In addition, in Ocean County visitor spending of \$676.7 million in 2007 contributed 9,632 jobs to the economy. Over 26 percent of the total employment impact is located in the food and beverage sector. Shopping (general merchandise stores) produced the next largest

impact. Visitor's spending was also responsible for \$371.0 million in total earning in Ocean County. The associated output totaled \$1.0 billion.

## **ECONOMIC IMPACT OF A SALES TAX ON RENTALS**

There has been some interest in New Jersey in extending the 7% state sales tax to seasonal rental units. In this section we consider the impacts of such an imposition, and extensively examine two scenarios: one in which the property owner shoulders the full tax increase and there is no increase in rental rates; and one in which the sales tax is fully passed on to renters, increasing their true cost for the seasonal unit by 7%.

The economic theory of sales tax incidence is well established, and governed by the well known principles of supply and demand. An imposed tax reduces the demand for a good or service (in this case, rentals), by the same amount that would result from a 7% rent increase. In order to continue to sell the same amount of the product (here to maintain rental occupancy) owners would have to reduce their rents by 7%. On the other hand, if owners are unwilling to accept that they can keep rents higher by accepting higher vacancy rates. The resulting outcome, or equilibrium, of supply and demand, in any such market will be determined by the relative elasticities of supply and demand. At the other extreme, rental demand may be inelastic so that renters are willing to pay the additional 7% tax and continue to rent the properties.

These are the two scenarios we present economic impact results for. The actual case is somewhere in between, but we find the resulting range of economic impacts to be instructive. The survey results do hint of the likely magnitude of the reaction. A 7% increase in weekly rental rates would result in an increased cost to renters of \$180, on average. This rental rate increase is 39% of the 2006 gasoline cost increase we noted in 2005-2006. Thus the impact of the rental increase on consumers is not as large of a factor as the increase in gasoline costs. During that period rental rate increases slowed and vacancy rates increased. If we assume that the gas increase alone led to the two percentage point increase in vacancy, then a rental increase alone would lead to an increase in vacancy rate of 0.8 percentage points, and a decline in rents of 2.4%.

When the owner is assumed to bear the entire burden of the tax, not passing any of it on to the renter, this will reduce their income from the rental units. This, by itself, should have little impact on vacancy rates in the short run. Ultimately as the income generating capacity of rental properties is reduced, investment in property would be expected to decline. This would also immediately reduce overall spending in the state to the extent that the property owners are New Jersey residents. They would have less income to spend, and lower spending could have an effect on the overall state economy. That impact is detailed below.

If the full, tax included, rental rates do increase, there is then the potential for renters to venture to other "shore" locations in Delaware or elsewhere. This movement away from the

New Jersey market would reduce spending and lower economic activity in the state and shore counties. We also detail that impact below.

## ECONOMIC IMPACT RESULTS

The first tax scenario (Owner Incidence) shows the impact of seasonal rental units on the same areas, assuming that the owners of the rental properties bore the entire burden of the proposed sales tax. That is, rents were unaffected so renters saw no increase in costs including taxes. Tables 7, 8, and 9 indicate the results for the state and the three counties.

**TABLE 7**

<b>Owner Incidence Impact On New Jersey</b>	
<b>Employment</b>	
Direct	(151)
Indirect	(38)
Induced	(47)
Total	(236)
<b>Labor Income</b>	
Employee Comp.	\$ (9,489,794)
Proprietor's Income	\$ (1,277,737)
Total Earnings	\$ (10,767,531)
<b>Output</b>	
Direct	\$ (209,227,937)
Indirect	\$ (6,020,428)
Induced	\$ (6,490,198)
Total	\$ (221,738,587)

Direct rental expenditures are reduced to \$3.4 billion. This is projected to reduce employment by 236 jobs in the state. In this case, total earnings would fall by \$10.8 million and output would fall by \$221.7 million.

**TABLE 8**

<b>Owner Incidence Impacts On Cape May, Monmouth, and Ocean County: (2007\$)</b>			
	<b>Cape May</b>	<b>Monmouth</b>	<b>Ocean</b>
<b>Employment</b>			
Direct	(67)	(15)	(82)
Indirect	(11)	(3)	(16)
Induced	(11)	(4)	(19)
Total	(89)	(22)	(118)
<b>Labor Income</b>			
Employee Comp.	(2,536,329)	(824,755)	(3,692,610)
Proprietor's Income	(441,787)	(97,689)	(579,382)
Total Earnings	(2,978,116)	(922,444)	(4,271,992)
<b>Output</b>			
Direct	(78,607,035)	(12,408,885)	(55,443,471)
Indirect	(1,219,407)	(448,316)	(2,013,658)
Induced	(1,210,925)	(474,450)	(2,179,905)
Total	(81,037,370)	(13,331,649)	(59,637,027)

In the Owner Incidence scenario for Cape May County, the direct seasonal rental expenditures would be reduced to \$1.3 billion. This would result in a loss of employment totaling 89 workers. Total earnings will be reduced by \$3.0 million and the county's output is projected to fall by \$81.0 million.

In Monmouth County the direct seasonal rental expenditure would decrease to \$200.3 million. This would result in the loss of 22 jobs. In addition, total earnings would fall by \$0.9 million. The county's output would shrink by \$13.3 million.

In Ocean County the direct seasonal rental expenditure would decrease to \$895.0 million. This would result in the loss of 118 jobs. In addition, total earnings would fall by \$4.3 million (with \$3.7 million of the decrease coming from employee compensation). The county's output will shrink by \$59.6 million.

**TABLE 9**

<b>Renter Incidence Impact On New Jersey (2006)</b>	
<b>Employment</b>	
Direct	(2,257)
Indirect	(391)
Induced	(485)
Total	(3,133)
<b>Labor Income</b>	
Employee Comp.	\$(96,743,715)
Proprietor's Income	\$(13,420,006)
Total Earnings	\$(110,163,721)
<b>Output</b>	
Direct	\$(174,451,296)
Indirect	\$(57,718,795)
Induced	\$(66,420,442)
Total	\$(298,590,542)

The Renter Incidence scenario for New Jersey shows that the declines in visitor spending would result in 3,133 fewer jobs after a tax imposition. Total earnings would be \$110.2 million lower than in the baseline.

The reduction in total output for the state of \$298.6 million has the potential to reduce purchasing power in the areas where those renters permanently reside. Nearly 43% of seasonal renters live in the state of New Jersey, and they mainly come from five counties: Bergen, Burlington, Camden, Hudson, and Middlesex. These counties would see reduced local spending as a result of a decline in other disposable income following higher shore rental rates. The five main counties will see the following declines in purchasing power, for a total of \$56.6 million:

Bergen: \$14.1 million  
 Burlington: \$12.5 million  
 Hudson: \$11.6 million  
 Middlesex: \$10.5 million  
 Camden: \$7.9 million

**TABLE 10**

<b>Renter Incidence Impacts On Cape May, Monmouth, and Ocean County: (2007\$)</b>			
	<b>Cape May</b>	<b>Monmouth</b>	<b>Ocean</b>
<b>Employment</b>			
Direct	(918)	(116)	(674)
Indirect	(113)	(19)	(96)
Induced	(117)	(21)	(117)
Total	(1,149)	(156)	(888)
<b>Labor Income</b>			
Employee Comp.	\$(26,858,492)	\$(4,733,190)	\$(23,534,067)
Proprietor's Income	\$(4,307,760)	\$(277,282)	\$(2,434,610)
Total Earnings	\$(31,166,252)	\$(5,010,472)	\$(25,968,677)
<b>Output</b>			
Direct	\$(61,524,288)	\$(8,485,966)	\$(47,365,864)
Indirect	\$(13,218,970)	\$(2,386,250)	\$(11,356,877)
Induced	\$(12,659,619)	\$(2,564,969)	\$(13,187,851)
Total	\$(87,402,868)	\$(13,437,183)	\$(71,910,591)

Under the Renter Incidence scenario, Cape May employment would fall by 1,149 positions. The decreased visitor spending would also reduce total earnings by \$31.2 million and total output by \$87.4 million. In Monmouth County, employment would fall by 156 positions. The decreased visitor spending would also reduce total earnings by \$5.0 million and total output by \$13.4 million. In Ocean County, employment would fall by 888 positions. The decreased visitor spending would also reduce total earnings by \$26.0 million and total output by \$71.9 million.

## CONCLUSION

The seasonal rental industry contributes \$8.1 billion to the New Jersey economy. A proposed 7% tax on seasonal rental units would have varying impacts depending on how the tax is distributed between property owners and renters. There is a lower bound, which is described by the scenario of the property owner bearing the full burden of the rental tax. The impact is relatively low under this scenario because only the owners are affected by the tax. It is their rental profit that is directly impacted. And, profits tend to have lower multipliers than other expenditures. The upper bound occurs if renters bear the full burden of the tax by way of a 7% increase in their full rental cost. In this case, visitor spending in the state of New Jersey on food, transportation, shopping and entertainment will be affected to a much larger degree.

The effects of the tax on the state of New Jersey will fall within these two bounds depending on how the tax is distributed between the property owners and the renters. In terms of employment, jobs lost due to the imposition of the tax will range up to 3,133 jobs. Total earnings will decline by up to \$110.2 million as employment declines because spending is reduced to accommodate the tax increase.