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Inside the Mamdani Administration’s Ban on Hotel “Junk Fees”

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🔑 Key Takeaway: *New York City has recently adopted one of the most expansive junk-fee prohibitions in the country, banning both hidden fees and unexpected credit card holds or deposits for hotels.*

Effective February 21, 2026, the NYC Department of Consumer and Worker Protection (DCWP) adopted the final NYC Hotel Junk Fee Rule, which requires bookings and advertising for hotel stays to have upfront and conspicuous disclosure of the total price. The Junk Fee Rule is targeted at so-called “junk fees” and deceptive pricing practices and expands upon the Federal Trade Commission’s 2024 national framework. We previously covered FTC’s Final Rule in Leisure Law Insider Vol. 3 and in Leisure Law Insider Vol. 5.^[1]

Overview of the Junk Fee Rule

Under the Junk Fee Rule, hotels must prominently display total pricing (*i.e.*, the disclosure of room

charges, resort fees, destination charges, other service charges) and are prohibited from misleading consumers about the nature of any fees through offers, displays, or advertisements.[2] Essentially, only taxes and other governmentally imposed fees are not required to be disclosed up front in the pricing.[3] The Junk Fee Rule also requires that effective January 22, 2027, hotels must disclose the amount of any holds or deposits placed on a consumer's credit card, the reasons the same may be retained, and, if refundable, when the refund will be made.

Moreover, the Junk Fee Rule applies to any hotels which advertise to/solicit New York City residents, regardless of the location of the hotel, and is conduct-focused and applies to any person that offers, displays, or advertises the price of a hotel stay, either in New York City or to a New York City consumer. This includes owners, brands, management companies, and third-party booking platforms.[4]

Penalties and Enforcement Exposure

A violation of the Junk Fee Rule constitutes a “deceptive trade practice” under New York City’s existing Consumer Protection Law, subjecting violators to significant civil penalties outlined under Administrative Code §20-703 as follows: (i) \$525 for a first violation; (ii) \$1,050 for a second violation; and (iii) \$3,500 for third and subsequent violations. In addition to monetary penalties, the DCWP has the authority to seek injunctive relief, as well as requiring violators to provide corrective disclosures and issue refunds to affected New York City consumers, although such consumers do not have standing themselves to seek relief under the Junk Fee Rule.[5]

Through published materials and press conferences, the Mamdani administration has made it clear that the Citywide Junk Fee Task Force is actively monitoring potential violations of the Junk Fee Rule

through investigations, spot-checks of hotel websites, and targeted enforcement efforts around major city events (such as the FIFA World Cup hosted this past summer). Although there has not been much reported in terms of enforcement of the Junk Fee Rule as of the writing of this article, the DCWP announced a settlement in excess of \$875,000 with Hungry Panda to resolve similar alleged violations of the City's Third-Party Food Delivery Services Laws (based upon allegations that the delivery service app charged junk fees to immigrant-owned restaurants).

The hotel industry (including owners, operators, brands, booking agencies, and other third parties) should be mostly prepared to satisfy the requirements of the Junk Fee Rules in light of the prior enactment of the Final FTC Rule. However, in light of the distinctions noted between the two rules (in particular, its far reaching protection of New York City consumers as noted above), as well as the proactive enforcement stance of the Citywide Junk Fee Task Force and the distinct and potentially costly penalties that can accumulate, a closer and fresh look at compliance by interested parties is encouraged. While the failure to comply with law, code, and governmental rules and regulations is often an indemnified obligation, parties should consider reviewing their existing contractual provisions to determine if they are protected, if by way of example, a booking agency is not in compliance and the hotel owner were to be subjected to penalties under the Junk Fee Rules and/or whether it should embellish its indemnification provisions going forward to cover these potential liabilities.

The Junk Fee Rule is another basis to consult knowledgeable legal counsel to help establish best practices and to avoid costly liabilities.

[1] Distinctions between the FTC's Final Rule and the Junk Fee Rule are noted below.

[2] DCWP, Title 6, Rules of the City of New York, §5-15.

[3] The Junk Fee Rule applies only to hotels, whereas FTC's Final Rule also applies to short-term rental and ticket sales.

[4] This article does not address potential legal challenges, such as jurisdictional challenges, which may be faced in the enforcement of the Junk Fee Rule, as arguably a hotel or booking agency in a foreign jurisdiction, even one where the United States has no treaty, could be in violation of the Junk Fee Rule as written.

[5] Under §349 of New York State's General Business Law, consumers have the right to bring a private action for damages based upon claims of deceptive business practices.