

California's Junk Fee Ban Kicks In This July. Are Hotels Ready?

Sally French

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Elliott Brown had booked a two-night stay at The Westin St. Francis San Francisco on Union Square.

"I booked the room with points, so I had the expectation there would be no payment at all," he says.

But upon arrival, he learned of a \$25 nightly "destination fee." The fee purports to cover amenities that include cable car tickets and a \$25 daily food and beverage credit. Since he was forced to pay it, Brown felt compelled to get his money's worth.

"That \$25 turned into two glasses of wine that I was forced to drink in a cheesy hotel bar instead of somewhere fun in San Francisco," he says.

To crack down on such charges, President Joe Biden has called on Congress to pass a Junk Fee Prevention Act.

"We'll ban surprise 'resort fees' that hotels tack on to your bill," Biden said during his February 2023 State of the Union remarks. "These fees can cost you up to \$90 a night at hotels that aren't even resorts."

That ban includes service fees for concert tickets or early termination fees for internet service, as well as hotel resort fees.

Additional national efforts to ban junk fees include a Federal Trade Commission proposal in late 2023, though no federal rules currently prohibit such fees.

But in California, a statewide junk fee ban goes into effect this summer.

The state of resort fees in 2024

Though the American Hotel & Lodging Association says only 6% of U.S. hotels charge resort fees, travelers pay \$2.93 billion in resort fees annually, according to the FTC.

NerdWallet analyzed more than 100 U.S. hotels with December 2023 check-in dates. Among hotels that charge resort fees, the average was \$38.82 nightly.

California's upcoming junk fee ban encompasses two bills: Senate Bill 478, which ensures that advertised prices — regardless of industry — are disclosed upfront, and Assembly Bill 537,

which is specific to the state's lodging rate transparency. Both bills go into effect on July 1, 2024.

“The two of them combined say that any mandatory fee has to be displayed at the time of reservation,” says Pete Hillan, a spokesman for the California Hotel and Lodging Association (CHLA). “Consumers are going to have full transparency on all mandatory fees.”

That said, hotels can still charge fees. Pet fees, parking fees and even resort fees are OK, as long as they're not hidden.

While SB 478 and AB 537 apply just to California, many hotel chains have already adjusted their price displays broadly. For example, Hyatt rolled out a display across its booking channels in July 2023. Now, the full price (aside from taxes) is the most prominent rate throughout the booking process.

A spokesperson for Hyatt said they've recently moved to what the company calls "an all-in rate display for hotels in the Americas.”

Expedia Group, meanwhile, has displayed all hotel-imposed fees and taxes on its search pages since 2020 — long before Biden's spotlight on junk fees.

“We always aim to ensure that travelers have the information they need to compare offers,” company spokesperson Francheska Taveras said in an email.

What about vacation rentals?

On vacation rental platforms, cleaning fees are another type of charge that isn't shown upfront. Some hosts say they intentionally list base rental rates artificially low to compete against other listings in search results and make up the difference with cleaning fees.

Airbnb finally addressed the practice in December 2022 by rolling out a “Total price display” toggle. If enabled, Airbnb's search results display all fees (aside from taxes), not just the base rate.

For now, the toggle is opt-in, but that may change by July — at least in California.

“Our hope is that the total price display will significantly address the concerns reflected in SB 478 and AB 537,” Airbnb spokesperson Liz DeBold Fusco said in an email to NerdWallet. “We are currently working through our compliance options in response to their passage.”

Junk fee bans: Good or bad?

CHLA's Hillan says he's not surprised that travel providers have increased transparency even before the rule goes into effect.

“As a good business practice, it's not great to surprise guests with a fee beyond what they anticipated,” he says. “There's a common sense approach to this.”

Beyond their unexpected nature, junk fees have also been criticized for being mandatory — even if the services they cover go unused. Such fees also make comparison shopping difficult.

But some analysts, including the Cato Institute, a libertarian think tank, have suggested that formal legislation is unnecessary, arguing that consumers will cease giving their money to companies with reputations for hidden fees.

“Given that markets and intermediary institutions already have strong incentives to enforce pricing transparency, it is bizarre that junk fees have become a hot-button political issue,” says a May 2023 Cato Institute briefing paper.

Hillan says although only a small minority of California hotels charge resort fees (and even fewer would be considered “hidden”), the rule universally benefits the travel industry and guests.

“The change is really going to ferret out hotels that aren’t being transparent,” he says. “It’ll strengthen the reputation of hotels.”

Will lodging get cheaper?

Don’t count on the junk fee ban necessarily reducing lodging costs, though. For starters, California’s bills won’t eliminate resort fees or cleaning fees — instead, they must be disclosed upfront.

Hillan also doesn’t anticipate amenities going away.

“Hotels want guests to have a great experience,” he says. “Hotels will continue to meet those desires, changing amenities based on market demand. The way they seek to enhance a guest’s stay is not going to change based on this legislation.”