

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 815
Ways and Means

(Delegate Kaiser, *et al.*)

Hotel Rental Tax - Exemption - Lodging at a Corporate Training Center

This bill provides an exemption from county hotel rental taxes for the sale of a right to occupy a room or lodgings as a transient guest at a dormitory or other lodging facility that (1) is operated solely in support of the headquarters, a training, conference, or awards facility or the campus of a corporation or other organization; (2) provides lodging solely for employees, contractors, vendors, and other invitees of the corporation that owns the dormitory or lodging facility; and (3) does not offer lodging services to the general public.

The bill specifies that a taxpayer may claim a refund from a local government for any hotel rental taxes paid after June 30, 2010, for a transaction exempt under the bill.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Hotel rental tax revenues in Montgomery County decrease by \$1.8 million in FY 2014 and by \$450,000 annually thereafter. Hotel rental tax revenues in other jurisdictions may be affected to the extent specified corporate training centers are located in other jurisdictions. Expenditures are not affected. **The bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3.0% to 9.5% as shown in **Exhibit 1**. Harford County is the only jurisdiction in Maryland that does not impose a hotel rental tax. State law requires, after a distribution for specified administrative costs, that hotel rental tax revenues be distributed to the county's general fund, except:

- in a code county and Calvert, Cecil, Garrett, and St. Mary's counties, the portion of the tax attributable to a hotel in a municipality must be distributed to the municipality;
- Carroll County may retain a reasonable amount of revenues for administrative expenses and the remaining balance must be used for tourism and general promotion of the county;
- Dorchester County must provide 80% of revenues attributed to hotels located in a municipality to the municipality;
- Garrett County must designate a portion of revenues for the promotion of the county;
- Howard County must distribute any revenue attributable to a hotel rental tax rate of greater than 5% as follows: (1) two-thirds to the Howard County Tourism Council and (2) one-third to the Howard County Economic Development Authority;
- Washington County must use 50% of revenues to fund the Hagerstown/Washington County Convention and Visitors Bureau; and
- Wicomico County must provide 16.7% of the revenue to the Salisbury Zoological Park, 16.7% to the Tourism Center, and the remainder must be used for the Wicomico County Convention and Visitors Bureau.

Exhibit 1
Hotel and Motel Tax Revenues

County	County Tax Rates		Revenues FY 2013	Per Capita Revenues	Per Capita Ranking
	FY 2012	FY 2013			
Allegany	8.0%	8.0%	\$925,000	\$12	9
Anne Arundel	7.0%	7.0%	14,200,000	26	4
Baltimore City	9.5%	9.5%	21,970,916	35	3
Baltimore	8.0%	8.0%	8,507,153	11	10
Calvert	5.0%	5.0%	810,000	9	12
Caroline	5.0%	5.0%	28,000	1	22
Carroll	5.0%	5.0%	265,530	2	21
Cecil	3.0%	3.0%	79,700	1	23
Charles	5.0%	5.0%	1,000,000	7	16
Dorchester	5.0%	5.0%	250,000	8	15
Frederick	3.0%	3.0%	1,075,000	5	19
Garrett	5.0%	6.0%	1,900,000	63	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,200,000	14	7
Kent	5.0%	5.0%	101,000	5	18
Montgomery	7.0%	7.0%	19,051,600	19	6
Prince George's	5.0%	5.0%	5,286,700	6	17
Queen Anne's	5.0%	5.0%	420,000	9	13
St. Mary's	5.0%	5.0%	850,000	8	14
Somerset	5.0%	5.0%	55,000	2	20
Talbot	4.0%	4.0%	975,000	26	5
Washington	6.0%	6.0%	2,073,700	14	8
Wicomico	6.0%	6.0%	1,005,084	10	11
Worcester	4.5%	4.5%	11,250,000	218	1
Total			\$96,279,383	\$17	

Source: Fiscal 2013 County Budgets; Department of Legislative Services

Background: Chapter 706 of 2010 (HB 855) exempted from the State sales and use tax the sale of a right to occupy a room or lodgings as a transient guest at a dormitory or other lodging facility that (1) is operated solely in support of a corporate or any other headquarters, training, conference, or awards facility or campus; (2) provides lodging solely for employees, contractors, vendors, and other invitees of the corporation that owns the dormitory or lodging facility; and (3) does not offer lodging services to the general public.

The Lockheed Martin Corporation's Center for Leadership Excellence (CLE) opened in February 2009 in Bethesda; it is a 300,000 square foot conference center and lodging facility located next to the Lockheed Martin corporate headquarters. The facility is used to support corporate training courses, meetings, and conferences and includes over 180 guest rooms, a 250 seat amphitheatre, 8 training rooms, a restaurant, and fitness center.

CLE is utilized by Lockheed Martin employees only and is not open to the public. Lockheed Martin has over 140,000 employees spread across many business units and programs and the costs for the training center are allocated back to the business units or programs for which the employees or contractors work.

Local Fiscal Effect: Hotel rental tax revenues in Montgomery County decrease by \$1.8 million in fiscal 2014 and by \$450,000 annually thereafter. Hotel rental tax revenues may be affected in other jurisdictions to the extent that specified corporate training facilities are located in those jurisdictions.

Montgomery County is the only jurisdiction among those surveyed by the Department of Legislative Services that indicated the presence of a corporate training facility that meets the requirements of the bill, which is the Lockheed Martin CLE facility in Bethesda. Montgomery County indicates that the bill's retroactive exemption would require the county to provide a refund of approximately \$1.35 million in fiscal 2014. Beginning in fiscal 2014, it is estimated that the CLE facility exemption will reduce county hotel rental tax revenues by approximately \$450,000 annually.

Additional Information

Prior Introductions: None.

Cross File: SB 631 (Senator King, *et al.*) - Budget and Taxation.

Information Source(s): Baltimore, Carroll, Cecil, Harford, Montgomery, Queen Anne's, and Worcester counties; City of Laurel; Town of Sykesville; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2013
mc/jrb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510