

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 787

(Senator McKay)

Budget and Taxation

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**Garrett County - Hotel Rental Tax - Alterations**

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This bill makes several changes to the hotel rental tax in Garrett County. The bill alters the definition of hotel for purposes of the hotel rental tax in Garrett County to include a transient vacation rental unit and exclude specified facilities. The bill alters the definition of transient charge for purposes of the Garrett County hotel rental tax. The bill defines a short-term rental platform as a service provided on the Internet that advertises hotels and receives specified compensation. Finally, the bill requires specified short-term rental platforms and managers to perform certain duties related to the collection and remittance of the hotel rental taxes in Garrett County. **The bill takes effect July 1, 2024.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Garrett County hotel rental tax revenues increase by a potentially significant amount beginning in FY 2025. County expenditures are not affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:**

*Hotel, Transient Charge, Short-term Rental Platform, and Transient Vacation Rental Unit*

Under current law, a hotel is defined as an establishment that offers sleeping accommodations for compensation and includes (1) an apartment; (2) a cottage; (3) a

hostelry; (4) an inn; (5) a motel; (6) a rooming house; or (7) a tourist home. The bill alters the definition of a hotel in Garrett County to include a transient vacation rental unit. However, a hotel does not include (1) a hospital, a medical clinic, a nursing home, a rest home, a convalescent home, an assisted living facility, or a home for elderly individuals; or (2) a facility that has a primary use other than providing overnight housing if the facility is owned or leased by a tax-exempt organization.

Under current law, a hotel rental tax is the tax on a transient charge. A transient charge is a hotel charge for sleeping accommodations for a period not exceeding four consecutive months, except in Carroll, Frederick, Garrett, and Washington counties. In Carroll County, transient charge is a hotel charge for sleeping accommodations for a period not exceeding 25 days. In Frederick County, transient charge is a hotel charge for sleeping accommodations for a period not exceeding 90 days. In Garrett County and Washington County, transient charge is a hotel charge for sleeping accommodations for a period not exceeding 30 days. The bill alters the definition of transient charge in Garrett County to be the total charge for sleeping accommodations for a period not exceeding 30 days, including any service fee, broker's fee, or other charge or fee imposed by a short-term rental platform or any other person who facilitates rental of a hotel and takes payment of a transient charge.

The bill defines a short-term rental platform as a service provided on the Internet that advertises hotels and receives compensation for managing reservations on behalf of the hotel.

The bill defines transient vacation rental unit as a single building that offers complete living accommodations and a maximum of five bedrooms with a maximum occupancy of two individuals per room and a total maximum occupancy of nine.

#### *Hotel Rental Tax Collection Responsibilities in Garrett County*

The bill requires a short-term rental platform or a manager, an agent, or any other person engaged by an owner of a hotel to facilitate rental of the hotel and take payment of a transient charge on behalf of the owner of the hotel in Garrett County to: (1) perform all duties related to collecting and remitting the hotel rental tax and perform other administrative functions required of a hotel; and (2) be subject to penalties that apply to a hotel for failure to comply with the provisions of law regarding the collection of hotel rental taxes.

#### *Penalties*

Under current law, if a hotel fails to pay the hotel rental tax, the hotel must pay interest on the unpaid tax from the date on which the hotel is required to pay the tax to the date that

the tax is paid. The interest rate for each month or fraction of a month is 0.5%, except in Cecil, Dorchester, Talbot, Washington, and Wicomico counties, where the interest rate is 1.0%. The bill increases the interest rate in Garrett County from 0.5% to 1.0%.

Under current law, if a hotel fails to pay the hotel rental tax to a county within one month after the payment is due, the hotel must pay a tax penalty of 10% of the unpaid tax. In Talbot and Wicomico counties, the 10% tax penalty is imposed when the hotel fails to pay the hotel rental tax within 120 days after the payment is due.

Under the bill, if a hotel in Garrett County fails to pay the hotel rental tax on or before the required due date, the hotel must pay a tax penalty of 5% of the unpaid tax for each month or part of a month that the tax is overdue. However, the total penalty that is assessed may not exceed 25% of the tax payment due.

A hotel in Garrett County that does not pay the hotel rental tax within one month of the due date, must pay a penalty, in addition to any tax, interest, or other penalties due, in an amount equal to the following:

- \$50 for a first violation;
- \$100 for a second violation;
- \$200 for a third violation;
- \$400 for a fourth violation;
- \$800 for a fifth violation; and
- \$1,000 for a sixth violation or subsequent violation.

#### *Failure to File Hotel Rental Tax Returns in Garrett County*

Under the bill, if a hotel in Garrett County fails to file a tax return as required, the Director of Finance (1) may estimate the amount of tax due based on a reasonable projection of room rentals, considering rentals reported by other hotels in the county for the period covered by the tax return and (2) if estimated tax is assessed, must transmit notice of the estimated tax due, including any interest or penalty that is assessed to the hotel. The hotel is required to pay the estimated tax, interest, or penalty assessed by the Director of Finance within 10 days after transmittal of the notice.

#### *Preserving Hotel Rental Tax Records in Garrett County*

The bill requires a hotel in Garrett County to: (1) preserve all records necessary to determine the amount of hotel rental tax due for three years; and (2) make the records that are preserved available for inspection by the Director of Finance at any reasonable time.

Upon ceasing operations, a hotel must: (1) file a hotel rental tax return; (2) pay any hotel rental tax due; and (3) notify the Director of Finance that the hotel is no longer in operation.

### *Collection of Hotel Rental Taxes in Maryland*

Hotel rental taxes are imposed in all counties in Maryland. In several jurisdictions, revenues collected from the hotel rental tax are shared with municipalities and community organizations. A few municipalities are also authorized to impose a hotel rental tax or to collect the county tax within their jurisdiction. In fiscal 2024, county governments will collect \$123.8 million in revenue from the hotel rental tax.

The Garrett County hotel rental tax rate is 8.0% for fiscal 2024. The county projects collecting \$4.0 million in hotel rental tax revenues in fiscal 2024. This amount excludes the hotel rental tax revenues distributed to municipalities.

Additional information on local hotel rental tax rates and revenues can be found in the [\*County Revenue Outlook Report – Fiscal 2024\*](#). A copy of the report is available on the Department of Legislative Services website.

**Local Fiscal Effect:** Garrett County hotel rental tax revenues increase by a potentially significant amount beginning in fiscal 2025. This increase is due to the authorization that enables Garrett County to collect hotel rental taxes from transient vacation rental units that are booked through an online short-term rental platform. The amount of the revenue increase depends on the number of days that transient vacation rental units are booked through online platforms and the value of each booking.

Garrett County reports that there are two hotels and three motels in the county as well as approximately 1,200 licensed vacation rentals. Under current practice, county hotel rental taxes are collected from rooms booked at the hotels and motels as well as from transient vacation rental units that are booked through local rental agencies, which collect the hotel rental tax for transient vacation units booked through them. However, online rental platforms do not collect and remit the county hotel rental tax for vacation rentals booked through them. The county currently collects approximately 80% of its hotel rental tax revenues from transient vacation rentals.

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## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 916 (Delegate Hinebaugh) - Ways and Means.

**Information Source(s):** Garrett County; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2024  
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