Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1103 (Delegate Atterbeary)
Ways and Means

Local Government - Accommodations Intermediaries - Hotel Rental Tax Collection by Comptroller

This bill establishes a centralized method of collecting the local hotel rental tax from accommodations intermediaries by requiring these entities to remit the tax to the Comptroller's Office. This requirement applies to accommodations intermediaries with at least (1) $100,000 in booking transactions or sales or (2) 200 or more booking transactions or sales. The Comptroller must establish a process for distributing the local hotel rental taxes (paid by accommodations intermediaries) to county and municipal governments. The Comptroller must charge county governments a reasonable administrative cost recovery fee. Accommodations intermediaries are required to file a hotel rental tax return as specified by the Comptroller. The bill specifies that certain provisions of State law prevail over certain local laws or agreements related to the hotel rental tax. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund expenditures increase by $1.2 million in FY 2027 and by $470,100 in FY 2030. Special fund revenues from administrative cost recovery fees (paid by county governments) increase by a corresponding amount.

Local Effect: County and municipal hotel rental tax revenues may increase beginning in FY 2027 to the extent that additional hotel rental taxes are collected from accommodations intermediaries. County government expenditures may increase due to the administrative cost recovery fees imposed by the Comptroller's Office.

Small Business Effect: Minimal.

Analysis

Current Law: Accommodations intermediaries and short-term rental platforms are already required to pay the State sales and use tax for overnight lodgings as discussed below. The Comptroller's Office is currently tasked with collecting the sales tax revenues from these entities.

Sales and Use Tax

Chapter 3 of 2016 clarified the definition of taxable price for purposes of the State sales and use tax as it applies to the sale or use of an accommodation facilitated by an accommodations intermediary. Chapter 3 also altered the definition of vendor under the State sales and use tax to include an accommodations intermediary.

An accommodation is defined as a right to occupy a room or lodgings as a transient guest. An accommodations provider is a person that owns, operates, or manages an accommodation and makes the accommodation available for sale or use to a buyer. An accommodations intermediary is a person, other than an accommodations provider, who facilitates the sale or use of an accommodation and charges a buyer the taxable price for the accommodation. A person is considered to facilitate the sale or use of an accommodation if the person brokers, coordinates, or in any other way arranges for the sale or use of an accommodation by a buyer.

Short-term Rental Units

Chapters 704 and 758 of 2019 imposed the State sales and use tax on specified short-term rental transactions facilitated by a short-term rental platform and required short-term rental platforms to collect and remit the State sales and use tax. A short-term rental is defined as the temporary use of a short-term rental unit to provide accommodation to transient guests for lodging purposes in exchange for consideration. A short-term rental platform is an Internet-based digital entity that (1) advertises the availability of short-term rental units for rent and (2) receives compensation for facilitating reservations or processing booking transactions on behalf of the owner, operator, or manager of a short-term rental unit.

Local Hotel Rental Taxes

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 2025, county governments expect to collect $136.7 million in revenue from the hotel rental tax. Additional information on local hotel rental tax rates and revenues can be found in the *County Revenue Outlook Report – Fiscal 2025*. A copy of the report is available on the Department of Legislative Services website.

State Expenditures: The Comptroller's Office will need additional personnel to administer the local hotel rental tax collections from accommodations intermediaries, including one assistant Attorney General, one senior tax attorney, and three revenue examiners. The new staff will be tasked with identifying businesses subject to the local hotel rental tax, processing tax returns and payments, auditing tax returns and payments, enforcing tax compliance, advising on local laws, and handling possible litigation. The additional personnel costs are projected to total $445,900 in fiscal 2027 and $470,100 by fiscal 2030. These costs include salaries, fringe benefits, and ongoing operating expenses. In addition, the Comptroller's Office will incur $800,000 in computer programming expenses in fiscal 2027 to add the local hotel rental tax to the current tax system. These costs include discovery, design, development, testing, and system interfaces.

Positions	5
Salaries and Fringe Benefits	$407,627
Computer Programming Expenses	800,000
Operating Expenses	38,280
Total FY 2027 State Expenditures	**$1,245,907**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Local Fiscal Effect: Local hotel rental tax revenues may increase beginning in fiscal 2027 to the extent that the Comptroller's Office is effective at collecting the hotel rental tax from accommodations intermediaries. The amount of the revenue increase will vary by county and depend on the number of transactions that occur through accommodations intermediaries and whether the local government is currently collecting this revenue through their local finance office. County expenditures will increase beginning in fiscal 2027 as a result of the administrative cost recovery fees imposed by the Comptroller's Office.

Additional Information

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

Designated Cross File: SB 979 (Senator Guzzone) - Budget and Taxation.

Information Source(s): Harford, Prince George's, and Wicomico counties; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2025
js/hlb

Analysis by: Michael Sanelli

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