

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

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

Senate Bill 763  
(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. 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. 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 tax in Garrett County. **The bill takes effect July 1, 2025.**

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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 2026. County expenditures are not affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill makes the following changes to the hotel rental tax in Garrett County:

- alters the definition of a hotel in Garrett County to include a transient vacation rental unit;
- defines transient vacation rental unit as a single building that offers complete living accommodations and a maximum of eight bedrooms with a maximum overnight occupancy of two individuals per room and an additional four individuals;

- increases the monthly interest rate for late payment of hotel rental taxes in Garrett County from 0.5% to 1.0%; and
- 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 to, on behalf of the owner of the hotel (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.

**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.

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 and Washington counties, transient charge is a hotel charge for sleeping accommodations for a period not exceeding 30 days.

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%.

#### *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 2025, county governments will collect \$136.7 million in revenue from the hotel rental tax.

The Garrett County hotel rental tax rate is 8.0% for fiscal 2025. The county projects collecting \$4.0 million in hotel rental tax revenues in fiscal 2025. 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 2025](#). 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 2026. 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.

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## **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 787 and HB 916 of 2024.

**Designated Cross File:** HB 1278 (Delegate Hinebaugh) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 23, 2025  
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