

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

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

Senate Bill 803

(Talbot County Senators)

Budget and Taxation

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**Talbot County - Hotel Rental Tax - Time of Penalty for Nonpayment**

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This bill alters the time period in Talbot County relating to the tax penalty imposed by the county government for the late payment of the county hotel rental tax. The bill reduces the time before a penalty must be paid for a late payment from 120 days to one month. **The bill takes effect July 1, 2025.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Talbot County finances will be positively affected due to the enhanced ability to collect local hotel rental taxes which will enable the county to distribute the municipal portion of the revenues in a timelier manner. Potential increase in tax penalty revenue. County expenditures are not significantly affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Except in Talbot and Wicomico counties, 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 hotel has until 120 days to make the payment before a tax penalty can be imposed.

**Local Fiscal Effect:** Talbot County indicates that the bill will enhance the ability to collect the local hotel rental tax by removing a major impediment to the timely collection of revenues. Reducing the time period by when tax penalties begin will positively impact the

county's collection, reporting, compliance, monitoring, and distribution to municipalities. It will ease the administrative burden and improve the cash flow for both the county government and municipalities.

In regard to municipal revenues, Talbot County advises that the late payment of the hotel rental tax affects the timing of the county's distribution of the municipal portion of the revenues, which can have a significant impact on municipal finances and the corresponding cash flow for the jurisdiction. For some municipalities, the hotel rental tax is a significant source of revenue.

In addition, the late payment of the hotel rental tax impacts the county's reporting of gross receipts (room rentals) to the county tourism board and to the State Department of Commerce, which in turn can impact the level of grant funding available to the county. The late payment of hotel rental taxes can also significantly increase staff time in reviewing and maintaining lists of properties out of compliance and sending out notices to nonreporting and nonpayment properties.

#### *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, Talbot County is expected to collect \$1.8 million from the hotel rental tax, which is currently set at 4%. Of this amount, \$1.35 million will be distributed to municipalities.

Additional information on local hotel rental tax rates and revenues for Maryland counties and Baltimore City can be found in the [County Revenue Outlook Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

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### **Additional Information**

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

**Designated Cross File:** HB 570 (Talbot County Delegation) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 18, 2025  
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