

Department of Legislative Services

Maryland General Assembly

2025 Session

FISCAL AND POLICY NOTE**Third Reader - Revised**

Senate Bill 979

(Senator Guzzone)

Budget and Taxation

Ways and Means

**Local Government - Accommodations Intermediaries - Hotel Rental Tax -
Collection by Comptroller and Alterations**

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 is authorized to retain up to 1.5% of the local tax revenue collected to defray administrative costs. 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, 2027.**

Fiscal Summary

State Effect: Special fund expenditures increase by \$1.3 million in FY 2028 and by \$438,100 in FY 2030. Special fund revenues for administrative costs increase beginning in FY 2028.

Local Effect: County and municipal hotel rental tax revenues may increase beginning in FY 2028 to the extent that additional hotel rental taxes are collected from accommodations intermediaries. Howard County revenues may increase by an additional \$0.8 million beginning in FY 2028, assuming the county council increases the hotel rental tax rate to 8% as authorized by the bill.

Small Business Effect: Minimal.

Analysis

Bill Summary: In addition, the bill makes the following changes to hotel rental taxes in Garrett, Howard, and Talbot counties by:

- increasing the monthly interest rate for late payment of hotel rental taxes in Garrett County from 0.5% to 1.0%;
- authorizing Howard County to increase the county hotel rental tax rate from 7% to 8%. Any revenue from the hotel rental tax in excess of 7% must be distributed to the Howard County Tourism Council; and
- altering 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.

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.

Late Payment of Hotel Rental Taxes

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.

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%.

Howard County Hotel Rental Tax Rate

Howard County is authorized to impose a hotel rental tax of up to 7%. The first 5% of the rate is distributed to the county's general fund. The revenue collected above the 5% rate is allocated as follows: one-third is designated to the Economic Development Authority, and two-thirds is dedicated to the Howard County Tourism Council.

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 \$464,800 in fiscal 2028 and \$438,100 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 2028 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	\$426,590
Computer Programming Expenses	800,000
Operating Expenses	<u>38,225</u>
Total FY 2028 State Expenditures	\$1,264,815

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 2028 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.

Howard County

In fiscal 2025, Howard County is expected to collect \$5.8 million from the hotel rental tax, which is currently set at 7%. Of this amount, \$1.15 million is designated to the Howard County Tourism Council.

Based on fiscal 2025 estimated collections, increasing the county's hotel rental tax rate by 1% (from 7% to 8%) will increase county revenues by approximately \$828,600 annually beginning in fiscal 2028. The additional revenues must be distributed to the Howard County Tourism Council.

Talbot County

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 effects 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.

Additional Information

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

Designated Cross File: HB 1103 (Delegate Atterbeary) - Ways and Means..

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 Third Reader - April 4, 2025
Revised - Amendment(s) - April 4, 2025

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