

MEMORANDUM

April 10, 2015

TO: County Council

FROM: Jeffrey L. Zyontz,  Legislative Attorney

SUBJECT: **Introduction:** Expedited Bill 14-15, Taxation – Room Rental and Transient Tax

Expedited Bill 14-15, Taxation – Room Rental and Transient Tax. The Lead Sponsor is the Council President at the request of the County Executive, is scheduled to be introduced on April 14. A public hearing is scheduled for May 5 at 1:30 p.m.

This Bill would expand the current tax law by treating dwelling units that are renting for any number of people, the same as a hotel. Currently the tax applies when compensation is paid for places that provide sleeping accommodations for 5 or more transient guests.

Background

There are now multiple avenues by which owners can advertise their dwelling unit or part of their dwelling unit for rent. Such internet sites as Airbnb, HomeAway, and Loft make it easy to connect potential renters with people providing places to rent. The duration of these rentals have more in common with hotels than with houses. Although these units may lack many of the amenities of hotels, they share the same essential attribute of being places for unrelated and unknown guests to reside for a very short term for a fee. Other jurisdictions, principally New York City and San Francisco responded to complaints about unfair competition from the hotel industry by taxing this activity. The District of Columbia will also be taxing short term residential rentals of dwelling units even though such rentals are not legal in their jurisdiction. Short term residential rentals (less than 30 days), except for hotels, and bed and breakfast establishments including country inns, are likewise illegal in Montgomery County.

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Expedited Bill No. 14-15
Concerning: Taxation – Room Rental
and Transient Tax
Revised: 3/3/15 Draft No. 1
Introduced: April 14, 2015
Expires: October 14, 2016
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

- (1) amend the definition of Hotel or Motel to reduce the number of transients required.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-16(b)

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Chapter 52 (Sections 52-16(b)) is amended as follows:

(b) The following words and phrases, when used in this Section, have the following meanings:

* * *

Hotel or motel:

(1) Any hotel, inn, hostelry, tourist home or house, motel, apartment hotel, rooming house, dwelling unit or other lodging place that offers for compensation sleeping accommodations in the County [to 5 or more transients at any one time].

(2) A hotel or motel does not include:

(A) a hospital, medical clinic, nursing home, rest home, convalescent home, assisted living facility, or home for elderly individuals; or

(B) a facility owned or leased by an organization that is exempt from taxation under section 501 (c)(3) of the Internal Revenue Code if the primary use of the facility is other than housing overnight guests.

* * *

Sec. 2. Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Approved:

George Leventhal, President, County Council

Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 14-15
Taxation – Room Rental and Transient Tax

- DESCRIPTION:** This bill amends the definition of hotel or motel under the County’s room rental and transient tax statute. The amendment removes the requirement that a hotel or motel accommodate 5 or more transients and adds “dwelling unit” to the definition of “hotel or motel”.
- PROBLEM:** The purpose of the amendment is to be able to apply the County tax to various businesses that rent, or facilitate the rental of, single rooms or homes within the County. Typically these types of rentals would not have sleeping accommodations for 5 or more transients at one time and therefore, the County tax would not apply. These rentals compete with hotels, motels, and other lodging places to whom the tax does apply.
- GOALS AND OBJECTIVES:** The goal and objective is to be able to apply the County room rental and transient tax to these various rentals of rooms and or homes within the County.
- COORDINATION:** Department of Finance; Visit Montgomery.
- FISCAL IMPACT:** To be provided by OMB.
- ECONOMIC IMPACT:** To be provided by Finance Department.
- EVALUATION:** To be requested.
- EXPERIENCE ELSEWHERE:** Other jurisdictions including Washington, D.C. have either implemented a similar law or are also exploring various options to apply their hotel and transient tax to these types of businesses as well.
- SOURCE OF INFORMATION:** Scott Foncannon, Associate County Attorney, 240-777-8973
- APPLICATION WITHIN MUNICIPALITIES:** This law applies within municipalities in the County.
- PENALTIES:** N/A



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 23, 2015

TO: George Leventhal, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Expedited Bill XX-15: Taxation – Room Rental and Transient Tax

I am attaching for Council introduction an Expedited Bill to amend the definition of Hotel or Motel under the County's room rental and transient tax statute. The amendment removes from the definition that a hotel or motel accommodate 5 or more transients and adds "dwelling unit" to the definition of "hotel or motel."

The purpose of the amendment is to be able to apply the County transient tax to various businesses that rent, or facilitate the rental of, single rooms or homes within the County. Typically, these types of rentals do not have sleeping accommodations for 5 or more transients at one time and therefore, the County tax would not apply. These rentals compete with hotels, motels, and other lodging places to which the tax does apply.

My Recommended FY16 Operating Budget anticipates approval of this legislation which we estimate will produce annual revenues of approximately \$228,000. I urge the Council to approve this legislation.

Attachment

cc: Timothy L. Firestine, Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget
Bonnie Kirkland, Assistant Chief Administrative Officer
Kelly Groff, President, Visit Montgomery