

MEMORANDUM

TO: County Council

FROM: Jeffrey L. Zyontz,  Senior Legislative Analyst

SUBJECT: **Public Hearing:** Expedited Bill 6-16,
Taxation – Room Rental and Transient Tax - Definitions

Expedited Bill 6-16, Taxation – Room Rental and Transient Tax - Definitions, sponsored by Lead Sponsor Council President at the request of the County Executive was introduced on March 15, 2016. A Government Operations and Fiscal Policy Committee worksession is tentatively scheduled for April 7 at 9:30 a.m.

Bill 6-16 would clarify the definition of broker to include entities that facilitate or arrange payment of room rental for sleeping accommodations; and clarify that service fees or broker fees charged by brokers or other entities for sleeping accommodations are within the definition of room rental for purposes of calculation of the tax.

The Bill would also make editorial changes to locate definitions in alphabetical order and conform the expression of the definition to code standards.

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Expedited Bill No. 6-16
Concerning: Taxation – Room Rental and
Transient Tax – Definitions
Revised: March 2, 2016 Draft No. 4
Introduced: March 15, 2016
Expires: September 15, 2017
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
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) clarify the definition of broker to include entities that facilitate or arrange payment of room rental for sleeping accommodations;
- (2) clarify that service fees or broker fees charged by brokers or other entities for sleeping accommodations are within the definition of room rental for purposes of calculation of the tax; and
- (3) generally amend the room rental and transient tax.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-16

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:

1 **Sec. 1. Section 52-16 is amended as follows:**

2 **52-16. Room rental and transient tax**

3 * * *

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

6 [Transient: An individual who, for any period of 30 or fewer consecutive
7 days, actually occupies a sleeping accommodation.]

8 *Broker*[: A] means a person, other than the owner or operator of a hotel
9 or motel, that receives, facilitates or arranges payment, directly,
10 indirectly, or through an online platform, for hotel or motel
11 accommodations from a transient who is subject to the tax under
12 subsection (a).

13 Director means the Director of Finance or the Director's designee.

14 *Hotel or motel means*[: (1) Any] any hotel, inn, hostelry, tourist home or
15 house, motel, apartment hotel, rooming house, dwelling unit or other
16 lodging place that offers for compensation sleeping accommodations in
17 the County. [(2)] A hotel or motel does not include:

18 (1) [(A)] a hospital, medical clinic, nursing home, rest home,
19 convalescent home, assisted living facility, or home for elderly
20 individuals; or

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

25 *Hotelkeeper*[: A] means a person that:

26 (1) owns or operates a hotel or motel; or

27 (2) acts as a broker.

28 *Room rental*[; The] means the total charge required to be paid by a
29 transient for a sleeping accommodation. Room rental includes any
30 service fee, broker’s fee, or other charge or fee required to be paid by the
31 transient regardless of what the charge is called or how the charge is
32 designated. Room rental does not include any optional charge for
33 services in addition to the charge for use of sleeping space, such as Wi-
34 Fi access, food, beverage, movie rental, or fitness center access. The
35 portion of the total charge, if any, that represents a charge other than room
36 rental must be separately billed.

37 *Transient* means an individual who, for any period of 30 or fewer
38 consecutive days, actually occupies a sleeping accommodation.

39 [Director: Director of Finance or the Director’s designee.]

40 * * *

41 **Sec. 2. Expedited Effective Date:** The Council declares that this legislation is
42 necessary for the immediate protection of the public interest. This Act takes effect on
43 the date on which it becomes law.

44
45 *Approved:*

46
47 _____
Nancy Floreen, President, County Council

_____ Date

48 *Approved:*

49 _____
Isiah Leggett, County Executive

_____ Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 6-16

Taxation – Room Rental and Transient Tax - Amendments

- DESCRIPTION:** This Bill would amend County law by clarifying that portion of the room rental charge that is subject to the County's Room Rental and Transient Tax.
- PROBLEM:** With the expansion in the number of brokers and the use of different terms to describe non-discretionary charges to the transient it is necessary to further clarify the calculation of the transient tax.
- GOALS AND OBJECTIVES:** To facilitate the efficient and orderly assessment and collection of the Room Rental and Transient Tax.
- COORDINATION:** Department of Finance
- FISCAL IMPACT:** To be requested.
- ECONOMIC IMPACT:** To be requested.
- EVALUATION:** Subject to the general oversight of the County Executive and the County Council.
- EXPERIENCE ELSEWHERE:** Unknown.
- SOURCE OF INFORMATION:** Michael J. Coveyou, Chief, Division of Treasury, Department of Finance
- APPLICATION WITHIN MUNICIPALITIES:** None.
- PENALTIES:** None.



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

February 9, 2016

TO: Nancy Floreen, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Expedited Bill No. – XX-16, Amendments to Montgomery County Code
Chapter 52 - Taxation – Room Rental and Transient Tax

I am recommending an amendment to Chapter 52-16 of the County Code to clarify the definition of a broker and the portion of the room rental charge that is subject to the County's Transient Tax. The current Code already requires that the total charge that a transient must pay is subject to this tax, but given the expansion in the number of brokers and the use of different terms to describe non-discretionary charges to the transient it is necessary to further clarify the calculation of the transient tax.

I urge the Council to support this legislation. My staff are available to respond to any questions you may have on this amendment or provide additional clarification.

Attachments

cc: Timothy L. Firestine, Chief Administrative Officer
Marc P. Hansen, County Attorney
Bonnie Kirkland, Assistant Chief Administrative Officer
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Jennifer Hughes, Director, Office of Management and Budget
Michael Coveyou, Chief, Division of the Treasury, Department of Finance
Joseph F. Beach, Director, Department of Finance

Fiscal Impact Statement
Expedited Bill XX-16, Taxation – Room Rental and Transient Tax Amendments

1. Legislative Summary.

This expedited bill would amend County law by clarifying that portion of the room rental charge that is subject to the County's Room Rental and Transient Tax.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

This Bill would have no fiscal impact on the County.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

This Bill would have no fiscal impact on the County.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

This Bill would have no fiscal impact on the County.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

This is not applicable to this Bill.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

This is not applicable to this Bill.

7. An estimate of the staff time needed to implement the bill.

This is not applicable to this Bill.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

There are no additional duties.

9. An estimate of costs when an additional appropriation is needed.

No additional appropriation is needed.

10. A description of any variable that could affect revenue and cost estimates.

This is not applicable to this Bill.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

This is not applicable to this Bill.

12. If a bill is likely to have no fiscal impact, why that is the case.

This is not applicable to this Bill.

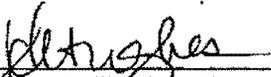
13. Other fiscal impacts or comments.

This is not applicable to this Bill.

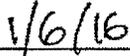
14. The following contributed to and concurred with this analysis:

Michael Coveyou, Department of Finance

Jane Mukira, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget



Date

**Economic Impact Statement
Expedited Bill #-16, Taxation –
Room Rental and Transient Tax - Amendments**

Background:

This legislation would clarify the definition of broker and room rental charges to include entities that facilitate or arrange payment of room rental for sleeping accommodations. Expedited Bill #-16 clarifies service fees or broker fees charged by brokers or other entities for sleeping accommodations that are within the definition of room rental for purposes of calculating the tax.

1. The sources of information, assumptions, and methodologies used.

Expedited Bill #-16 amends Section 52-16 of the County Code by clarifying that portion of the room rental charge subject to the County's Room Rental and Transient Tax. Since the legislation proposes clarifying language in the calculation of the transient tax, there are no sources of information, assumptions and methodologies used in the preparation of the economic impact statement.

2. A description of any variable that could affect the economic impact estimates.

There are no variables that could affect the economic impact estimates.

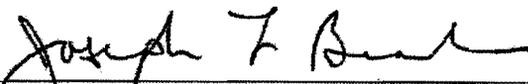
3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

Expedited Bill #-16 has no economic impact on the County's employment, spending, savings, investments, incomes, and property values because it is merely a clarification of existing law.

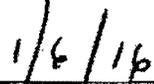
4. If a Bill is likely to have no economic impact, why is that the case?

Please see paragraph #3

5. The following contributed to or concurred with this analysis: David Platt, Michael Coveyou, and Robert Hagedoorn, Department of Finance.



Joseph F. Beach, Director
Department of Finance



Date