

MEMORANDUM

TO: County Council

FROM: *MF* Michael Faden, Senior Legislative Attorney

SUBJECT: **Public Hearing:** Expedited Bill 44-10, Room Rental and Transient Tax – Exemption – Corporate Facility

Expedited Bill 44-10, Room Rental and Transient Tax – Exemption – Corporate Facility, sponsored by the Council President at the request of the County Executive, was introduced on July 27, 2010. A Management and Fiscal Policy Committee worksession is tentatively scheduled for October 4 at 10 a.m.

Bill 44-10 would exempt a corporate lodging facility from the County’s hotel-motel tax if the facility supports that company’s headquarters, campus, training facility, or conference facility; provides lodging exclusively for that company’s employees, contractors, vendors, and other business invitees; and does not offer lodging to the public. As the Legislative Request Report on ©4 noted: “At this time, the County is aware of one facility that this amendment would impact, the Lockheed Martin Center for Leadership Excellence (CLE). Lockheed Martin’s annual transient room taxes for the CLE are approximately \$450,000.” Also see the OMB fiscal impact statement on ©9.

In 2010 the state legislature enacted a similar law, HB 855 (see ©7-8), exempting this kind of facility from the state sales tax at an estimated state revenue loss of \$370,900.

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Expedited Bill No. 44-10
Concerning: Room Rental and Transient
Tax – Exemption – Corporate Facility
Revised: 7-21-10 Draft No. 1
Introduced: July 27, 2010
Expires: January 27, 2012
Enacted: _____
Executive: _____
Effective: July 1, 2010
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

- (1) exempt certain corporate facilities from the County room rental and transient tax;
and
- (2) generally amend the law authorizing the County room rental and transient tax.

By amending

Montgomery County Code
Chapter 52, Finance
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 * * *

7 *Broker:* A person, other than the owner or operator of a hotel or motel,
8 that receives payment for hotel or motel accommodations from a
9 transient who is subject to tax under subsection (a).

10 *Hotel or motel:*

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

15 (2) A hotel or motel does not include:

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

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

23 (C) a lodging facility operated solely to support the
24 headquarters, campus, training facility, or conference
25 facility, of the corporation that owns the facility, which
26 offers lodging solely for that corporation's employees,

27 contractors, vendors, or business invitees, and does not
28 offer lodging to the public.

29 *Hotelkeeper:* A person that:

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

31 (2) acts as a broker.

32 * * *

33 **Sec. 2. Expedited Effective Date.**

34 The Council declares that this Act is necessary for the immediate protection of
35 the public interest. This Act takes effect on the date when it becomes law, and
36 applies to any tax levied under County Code Section 52-16 on or after July 1, 2010.

37 *Approved:*

38

Nancy Floreen, President, County Council

Date

39 *Approved:*

40

Isiah Leggett, County Executive

Date

41

42 *This is a correct copy of Council action.*

43

44

Linda M. Lauer, Clerk of the Council

Date

LEGISLATIVE REQUEST REPORT

Bill 44-10

Room Rental and Transient Tax – Exemption – Corporate Facility

Description: The proposed amendment to County Code Section 52-16 seeks to clarify that a lodging facility that is owned by a company and exists for the purpose of supporting that company's operations and is used exclusively by its staff, contractors, vendors and other invitees is not considered to be a hotel, and, as such, is not subject to the County's transient room tax.

Problem: Transient lodging facilities that are owned by a private company and used solely to accommodate its staff, contractors and vendors are currently required to pay the County transient room tax, although they are not open to the general public.

Goals & Objectives: To help Montgomery County companies be competitive in bidding on federal government contracts by ensuring that they are not required to pay the County transient room taxes for lodging facilities that are for the exclusive use of their staff, contractors, vendors and other invitees and that are not open to the general public.

Coordination: Department of Economic Development

Fiscal Impact: At this time, the County is aware of one facility that this amendment would impact, the Lockheed Martin Center for Leadership Excellence (CLE). Lockheed Martin's annual transient room taxes for the CLE are approximately \$450,000.

Economic Impact: The CLE has created 175 new permanent jobs in the County. From April through December of 2009, the CLE brought 9,000 Lockheed employees, contractors, vendors and other invitees to Bethesda. They generated 6,000 spillover room nights in County hotels and substantial new revenues for County retail, restaurant and service establishments. According to Lockheed figures, the projected total economic impact of its overall Montgomery County operations from direct and induced employment for the period 2007 - 2009 was \$7.1 billion.

Experience Elsewhere: In the 2010 Maryland General Assembly, legislation (HB 855) was passed that provides an exemption under the State sales and use tax for the "sale of a right to occupy a room or lodgings as a transient guest at a dormitory or other lodging facility that is operated solely in support of specified facilities or campuses, that provides lodging solely for employees, contractors, vendors, and other invitees of the corporation that owns the dormitory or lodging facility, and that does not offer lodging services to the general public."

Sources of Information: Corinne Rothblum, Department of Economic Development
240-777-2011; corinne.rothblum@montgomerycountymd.gov
Mike Coveyou, Department of Finance
240-777-8878; mike.coveyou@montgomerycountymd.gov

Bill



RECEIVED
MONTGOMERY COUNTY
COUNCIL

2010 JUN 21 PM 3:55

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OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

June 21, 2010

057656



TO: Nancy Floreen, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Proposed Amendment to County Code Section 52-16 – Room Rental and Transient Tax.

I am transmitting for Council introduction a bill that amends County law governing the County's transient room tax. Specifically, the bill clarifies that a lodging facility that is owned by a company and exists for the purpose of supporting that company's operations and that is used exclusively by its staff, contractors, vendors and other invitees is not considered to be a hotel and is not subject to the County's transient room tax.

The Maryland General Assembly recognized this distinction during the 2010 session. It passed legislation (HB 855) that provides an exemption under the State sales and use tax for the "sale of a right to occupy a room or lodgings as a transient guest at a dormitory or other lodging facility that is operated solely in support of specified facilities or campuses, that provides lodging solely for employees, contractors, vendors, and other invitees of the corporation that owns the dormitory or lodging facility, and that does not offer lodging services to the general public." To synchronize the attached bill with the 2010 State legislation, the effective date of the bill is retroactive to July 1, 2010

At this time, the County is aware of one facility that falls into this category - Lockheed Martin's recently constructed Center for Leadership Excellence (CLE) on the campus of its corporate headquarters in Bethesda. The \$110 million CLE provides a high-security, full service, state-of-the-art training facility with 183 single occupancy sleeping rooms that are for the exclusive use of Lockheed Martin employees, contractors, vendors and other invitees. The Defense Contract Audit Agency requires the company to use its internal employee credit card system to allocate charges to the appropriate federal contract (Lockheed Martin has an agreement to charge the federal *per diem* rate in all of its federal contracts). As a consequence, since opening in April 2009, the CLE has been treated as a hotel and has been subject to the County's room rental transient tax, even though it is not open or accessible to the general public and is not operated on a for profit basis.

Nancy Floreen
June 21, 2010
Page 2

In these challenging economic times, it is critically important that the County create an enabling business environment, that we identify and address unwarranted impediments to private sector growth, and that we help our companies be competitive in bidding on federal government contracts. I ask that you introduce this bill on my behalf and thank you for your prompt consideration.

Attachments

cc: Jennifer Barrett, Director, Department of Finance
Joe Beach, Director, Office of Management and Budget
Kathleen Boucher, Assistant County Administrative Officer
Jennifer Hughes, Special Assistant to the County Executive
Steve Silverman, Director, Department of Economic Development

Chapter 706

(House Bill 855)

AN ACT concerning

**Sales and Use Tax – Exemption – Lodging at a Corporate Training Center ~~in~~
~~Montgomery County~~**

~~MC 22-10~~

FOR the purpose of providing an exemption under the sales and use tax for the sale of a right to occupy a room or lodgings as a transient guest at certain facilities ~~in a certain county~~ operated ~~primarily~~ in support of certain facilities or campuses; and generally relating to a sales and use tax exemption for the sale of certain lodging at certain facilities.

BY adding to

Article – Tax – General
Section 11-231
Annotated Code of Maryland
(2004 Replacement Volume and 2009 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Tax – General

11-231.

THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF A RIGHT TO OCCUPY A ROOM OR LODGINGS AS A TRANSIENT GUEST AT A DORMITORY OR OTHER LODGING FACILITY ~~IN MONTGOMERY COUNTY~~ THAT:

(1) IS OPERATED ~~PRIMARILY~~ SOLELY IN SUPPORT OF A CORPORATE OR ANY OTHER HEADQUARTERS, TRAINING, CONFERENCE, OR AWARDS FACILITY OR CAMPUS;

(2) PROVIDES LODGING ~~PREDOMINANTLY~~ SOLELY FOR EMPLOYEES, CONTRACTORS, VENDORS, AND OTHER INVITEES OF THE CORPORATION THAT OWNS THE DORMITORY OR LODGING FACILITY; AND

(3) DOES NOT OFFER LODGING SERVICES TO THE GENERAL PUBLIC.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2010.

Approved by the Governor, May 20, 2010.

BILL 44-10

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MONTGOMERY COUNTY
COUNCIL

SEP -9 AM 8:27

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

September 2, 2010

058631

TO: Nancy Floreen, President, County Council
FROM: *Joseph F. Beach, for*
Joseph F. Beach, Director
SUBJECT: Expedited Bill 44-10, Room Rental and Transient Tax – Exemption – Corporate Facility

The purpose of this memorandum is to transmit a fiscal and economic impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

The proposed amendment to County Code Section 52-16 seeks to clarify that a lodging facility that is owned by a company and exists for the purpose of supporting that company's operations and is used exclusively by its staff, contractors, vendors and other invitees is not considered to be a hotel, and, as such, is not subject to the County's transient room tax.

FISCAL AND ECONOMIC SUMMARY

Expedited Bill 44-10 would exempt a corporate lodging facility from the County's hotel-motel tax if the facility supports that company's headquarters, campus, training facility, or conference facility; provides lodging exclusively for that company's employees, contractors, vendors, and other business invitees; and does not offer lodging to the public. At this time, the County is aware of one facility that this amendment would impact, the Lockheed Martin Center for Leadership Excellence (CLE). Lockheed Martin's annual transient room taxes for the CLE are approximately \$450,000. As proposed, this legislation would be effective July 1, 2010, therefore, the estimated amount of revenue loss for FY11 and future years would be \$450,000 annually.

The CLE has created 175 new permanent jobs in the County. From April through December of 2009, the CLE brought 9,000 Lockheed employees, contractors, vendors and other invitees to Bethesda. They generated 6,000 spillover room nights in County hotels and substantial new revenues for County retail, restaurant and service establishments. According to Lockheed figures, the projected total economic impact of its overall Montgomery County operations from direct and induced employment for the period 2007 -2009 was \$7.1 billion.

Office of the Director