



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 27, 2017

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke *DHV*
County Auditor

FROM: Inez N. Claggett *INC*
Senior Legislative Auditor

RE: Fiscal Impact Statement
CB-023-2017 Hotel and Motel Tax

Pursuant to your request, we have reviewed CB-023-2017 to estimate its fiscal impact on Prince George's County, Maryland.

CB-023-2017 seeks to amend the Prince George's County Code to clarify hotel and motel tax exemptions, and tax refunds, for long term renters as a result of ambiguity related to exemptions for consecutive days of occupancy.

The Prince George's County Charter Section 313 authorizes the County Auditor to conduct necessary audits of any County agency which is the recipient of funds appropriated, or approved, by the County Council, when deemed necessary. A compliance audit was conducted of the Office of Finance's collection of hotel and motel taxes resulting in a report dated September 2016. During the audit, Office of Audits and Investigations (A&I) staff sample tested hotel and motel tax assessments on persons renting, using, or occupying hotel or motel rooms, and the related remittance of hotel and motel taxes to the Office of Finance. Results of audit testing revealed inconsistent application of the exemption from hotel and motel tax allowed for consecutive days of occupancy under the Prince George's County Code. An excerpt from the report of audit findings issued by A&I staff is below.

"During the audit we identified some hotels/motels that were issuing refunds to individuals for taxes paid during their first 89 days of room rental once they reached the 90th consecutive day of room rental. However, according to dialogue with other hotel establishments, this practice of refunding individuals for taxes paid during their first 89 days of room rental once they have reached their 90th consecutive day of room rental isn't being consistently followed."

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The proposed Bill clarifies to persons renting, using, or occupying a room or rooms for ninety (90) consecutive days that a refund shall not be provided for the money collected by the owners or operators of hotels and motels for the first eighty-nine (89) consecutive days the person rented, used, or occupied a room, or rooms.

Enactment of CB-023-2017 may have a positive fiscal impact to Prince George's County, however, an estimate of the amount is unable to be determined without the complete review of financial records for all hotels and motels operating within the County.

If you require additional information, or have questions about this fiscal impact statement, please call me.