

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 360 (Delegates Love and V. Clagett)
Ways and Means

Anne Arundel County Tourism and Economic Development Promotion Act of
2009

This bill requires Anne Arundel County to impose a 7% hotel tax rate. The county must distribute 25% of the county's share of revenues to the Annapolis and Anne Arundel County Conference and Visitor's Bureau and 7% to the Anne Arundel Economic Development Corporation.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Anne Arundel County expenditures increase by at least \$2.7 million annually beginning in FY 2010. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful. Tourism-related businesses in Anne Arundel County could benefit significantly from increased funding to the Anne Arundel County Conference and Visitor's Bureau.

Analysis

Current Law: Anne Arundel County is authorized to impose a tax for space rental, which includes the use of hotel rooms. The current hotel tax rate is 7%. State law does not limit the maximum hotel tax rate that can be imposed in Anne Arundel County.

Hotel tax revenues generated in the City of Annapolis are required to be collected and retained by the city.

Generally, Maryland counties have the authority to impose and collect a hotel tax up to the limits designated by the Annotated Code of Maryland. Authorized rates vary by county but may be as low as 3% in Frederick County and as high as 8% in Allegany and Baltimore counties. Harford County does not impose a hotel tax.

Carroll, Garrett, Frederick, Washington, and Wicomico counties have provisions requiring a certain amount of hotel tax revenues be used for tourism and the general promotion of the county. Anne Arundel County has no such requirement.

Background: Historically, Anne Arundel County has dedicated 7% of hotel tax revenues collected by the county to the conference and visitor's bureau and 7% to the economic development corporation. However, in May 2008, the county law office advised that dedication of hotel tax revenues to a specific purpose is prohibited under the county charter. Subsequently, for fiscal 2009, the county provided operating grants to both the conference and visitor's bureau and the economic development corporation from the county's general fund. These grants are equal to 7% of the hotel tax yield. The county has also provided an additional grant to the economic development corporation in recent years. **Exhibit 1** shows county contributions to the conference and visitor's bureau and the economic development corporation from hotel tax revenues. The county budget for fiscal 2010 has not yet been finalized.

Exhibit 1
Distribution of Anne Arundel County Hotel Tax Revenues

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
County Hotel Tax Revenues	\$13,946,409	\$15,003,236	\$14,700,000
Dedicated Funding/Grants			
Economic Development Corporation	\$971,097	\$1,050,226	\$1,050,000
Conference and Visitor's Bureau	971,097	1,050,226	1,050,000

Note: County hotel tax revenues exclude taxes collected and retained by the City of Annapolis.

The City of Annapolis dedicates approximately 7% of hotel tax revenues to the conference and visitor's bureau. In fiscal 2008 the city contributed \$160,000 and the estimated contribution for fiscal 2009 is \$143,000.

The Annapolis and Anne Arundel County Conference and Visitor’s Bureau is responsible for planning, producing, and promoting programs designed to increase the volume of visitors, vacation, and conference/meeting business within Annapolis and Anne Arundel County. The bureau serves as liaison between private and public agencies concerned with the economic benefits of the travel and conference industry in Annapolis and Anne Arundel County. The bureau actively seeks out and encourages cooperative promotional efforts between its members, State, and regional organizations to increase travel and conference/meeting business in Annapolis and Anne Arundel County.

The Anne Arundel Economic Development Corporation is a privatized agency of county government responsible for promoting Anne Arundel County as an attractive place for business. In addition to the operating subsidy provided by the county, its nonprofit status allows the corporation to receive grants that otherwise would not be available to governmental agencies.

Local Revenues: The hotel tax rate in Anne Arundel County is not set in State law and can be adjusted by the county council. This bill sets the hotel tax rate at 7%, prohibiting the county council from adjusting the rate without a change in State law. This could affect county tax revenues in subsequent years. Furthermore, to the extent that increased expenditures for tourism promotion result in additional visitors to the county, hotel tax revenues may increase.

Local Expenditures: County expenditures for the conference and visitor’s bureau increases by at least \$2.7 million annually over current practice beginning in fiscal 2010 as shown in **Exhibit 2**. The actual impact depends on the amount of hotel tax revenues collected by the county each year.

Exhibit 2
Distribution of Anne Arundel County Hotel Tax Revenues under SB 11
Fiscal 2010

	<u>Current Practice</u>	<u>SB 11</u>	<u>Difference</u>
County Hotel Tax Revenues	\$15,000,000	\$15,000,000	\$0
Grants as a Percentage of Hotel Tax Revenues			
Economic Development Corporation	7%	7%	0%
Conference and Visitor’s Bureau	7%	25%	18%
County Contributions			
Economic Development Corporation	\$1,050,000	\$1,050,000	\$0
Conference and Visitor’s Bureau	1,050,000	3,750,000	2,700,000

Since the county is not currently required to provide funding for the conference and visitor's bureau and economic development corporation, the cumulative fiscal impact may be greater, should the county seek to reduce funding of these entities in subsequent years.

Small Business Effect: It is estimated that every dollar spent on destination marketing yields a \$28 return on investment to the Maryland economy. Therefore, any additional funding to the Anne Arundel County Conference and Visitor's Bureau may increase revenues for tourism-related businesses.

Additional Information

Prior Introductions: None.

Cross File: SB 11 (Chair, Anne Arundel County Senators) - Budget and Taxation.

Information Source(s): Annapolis and Anne Arundel County Conference and Visitor's Bureau, Anne Arundel County, Department of Legislative Services

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mcp/hlb

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