

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

House Bill 241 (Delegate Clagett)  
Ways and Means

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**Frederick County - Hotel Rental Tax - Rate and Distribution of Revenue**

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This bill establishes the Frederick County hotel rental tax rate at 5%. The bill alters the distribution of hotel rental tax revenue in Frederick County by specifying that Frederick County must distribute 40% of the hotel rental tax revenue so that \$150,000 per year is dedicated toward the debt service of the tourism center located at 151 South East Street in the City of Frederick; with the remaining balance to the City of Frederick for economic development and tourism capital projects. Under current law, hotel rental tax revenue is distributed to the Tourism Council of Frederick County, with a portion designated by the county to be used for a visitor center.

The bill also states that it is the intent of the General Assembly that the first use for the dedicated funds inuring to the City of Frederick for economic development and tourism capital projects will be for land acquisition for the hotel and conference center to be located in the City of Frederick.

The bill takes effect June 1, 2012.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Frederick County hotel rental tax revenues increase by \$692,000 beginning in FY 2013. County expenditures for debt service and capital projects increase by the same amount.

**Small Business Effect:** Potential meaningful for hotel operators and construction related businesses in Frederick County.

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## Analysis

**Current Law:** The Frederick County hotel rental tax rate is 3%, but the county is authorized to set a rate as high as 5%. Frederick County must designate a portion of the hotel rental tax revenue for a visitor's center and the remainder to the tourism council.

**Background:** Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3% to 9.5% as shown in **Appendix 1**. Harford County is the only jurisdiction in Maryland that does not impose a hotel rental tax. State law requires, after a distribution for specified administrative costs, that hotel rental tax revenues be distributed to the county's general fund, except:

- in a code county and Calvert, Cecil, Garrett, and St. Mary's counties, the portion of the tax attributable to a hotel in a municipality must be distributed to the municipality;
- Carroll County may retain a reasonable amount of the hotel rental tax for administrative expense and the remaining balance must be used for tourism and general promotion of the county;
- Dorchester County must provide 80% of the revenues attributed to hotels located in a municipality to the municipality;
- Garrett County must designate a portion of revenues for the promotion of the county;
- Howard County must distribute any revenue attributable to a hotel rental tax rate of greater than 5% as follows: (1) two-thirds to the Howard County Tourism Council and (2) one-third to the Howard County Economic Development Authority;
- Washington County must use 50% of revenues to fund the Hagerstown/Washington County Convention and Visitors Bureau; and
- Wicomico County must provide 16.7% of the revenue to the Salisbury Zoological Park, 16.7% to the Tourism Center, and the remainder must be used for the Wicomico County Convention and Visitors Bureau.

**Local Fiscal Effect:** Frederick County revenues will increase by approximately \$692,000 annually beginning in fiscal 2013 by increasing the county hotel rental tax to 5%. The fiscal 2012 Frederick County budget assumes \$1.04 million in hotel rental tax

revenue (the preliminary fiscal 2013 budget assumes \$1.1 million). Assuming a constant level of collections, based on fiscal 2012 estimates, county revenues will increase by approximately \$692,000 beginning in fiscal 2013.

The bill also alters the distribution of county hotel tax revenues so that 40% of revenues must be distributed for debt service for the visitor center (\$150,000) and to the City of Frederick for economic development and tourism capital projects. The remaining funds will be distributed to the Tourism Council of Frederick County, as under current law. **Exhibit 1** shows the estimated distribution of Frederick County hotel rental tax revenues for fiscal 2013.

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**Exhibit 1**  
**Distribution of Frederick County Hotel Rental Tax Revenue**  
**Fiscal 2013**

<b>Total Revenue</b>	<b>\$1,730,000</b>
<b>40% of Revenues</b>	<b>\$692,000</b>
Debt Service	150,000
Capital Projects	542,000
<b>Tourism Council</b>	<b>\$1,038,000</b>

Source: Frederick County; Department of Legislative Services

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**Small Business Effect:** Hotel operators in Frederick County may be negatively impacted by a higher hotel rental tax rate if hotel rental activity shifts to areas outside of the county. However, neighboring counties such as Allegany, Carroll, Montgomery, and Washington already impose hotel rental tax rates that are at least as high or higher than the tax rate proposed by the bill. In addition, construction-related businesses in Frederick County may benefit from increased funding for capital projects.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Frederick County, City of Frederick, Department of Legislative Services

**Fiscal Note History:** First Reader - February 3, 2012  
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**Appendix 1  
Hotel Rental Tax Revenues**

<b>County</b>	<b>County Tax Rates</b>		<b>FY 2012 Budget</b>	<b>Per Capita Revenues</b>	<b>Per Capita Ranking</b>
	<b>FY 2011</b>	<b>FY 2012</b>			
Allegany	8.0%	8.0%	\$620,000	\$8	12
Anne Arundel	7.0%	7.0%	13,800,000	26	5
Baltimore City	9.5%	9.5%	21,014,916	34	3
Baltimore	8.0%	8.0%	7,528,000	9	10
Calvert	5.0%	5.0%	715,000	8	13
Caroline	5.0%	5.0%	0	0	23
Carroll	5.0%	5.0%	266,380	2	20
Cecil	3.0%	3.0%	56,000	1	22
Charles	5.0%	5.0%	997,100	7	16
Dorchester	5.0%	5.0%	250,000	8	14
Frederick	3.0%	3.0%	1,038,000	4	18
Garrett	5.0%	5.0%	1,400,000	47	2
Harford	0.0%	0.0%	0	0	23
Howard	5.0%	7.0%	4,200,000	15	7
Kent	5.0%	5.0%	12,000	1	21
Montgomery	7.0%	7.0%	19,968,000	21	6
Prince George's	5.0%	5.0%	5,234,400	6	17
Queen Anne's	5.0%	5.0%	420,000	9	11
St. Mary's	5.0%	5.0%	750,000	7	15
Somerset	5.0%	5.0%	50,000	2	19
Talbot	4.0%	4.0%	975,000	26	4
Washington	6.0%	6.0%	1,500,000	10	8
Wicomico	6.0%	6.0%	1,000,000	10	9
Worcester	4.5%	4.5%	11,250,000	219	1
<b>Total</b>			<b>\$93,044,796</b>	<b>\$16</b>	

Source: Fiscal 2012 county budgets; Department of Legislative Services