

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 913
Ways and Means

(Delegate Clagett)

Frederick County - Hotel Rental Tax Rate

This bill establishes the Frederick County hotel rental tax rate at 5%.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Frederick County hotel rental tax revenues increase by approximately \$716,700 beginning in FY 2014. County expenditures for the Tourism Council of Frederick County and visitor center increase by the same amount.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Frederick County hotel rental tax rate is 3%, but the county is authorized to set a rate of up to 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 revenues for administrative expenses and the remaining balance must be used for tourism and general promotion of the county;
- Dorchester County must provide 80% of 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: The fiscal 2013 Frederick County budget assumes \$1.08 million in hotel rental tax revenue. Assuming a constant level of collections, county revenues will increase by approximately \$716,700 annually beginning in fiscal 2014 by increasing the county hotel rental tax rate to 5%.

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.

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 as or higher than the tax rate proposed by the bill. In addition, tourism-related businesses in Frederick County could benefit from increased funding for county promotions.

Additional Information

Prior Introductions: HB 241 of 2012 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Frederick County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2013
mc/jrb

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Appendix 1
Hotel and Motel Tax Revenues

County	County Tax Rates		FY 2012 Budget	Per Capita Revenues	Per Capita Ranking
	FY 2012	FY 2013			
Allegany	8.0%	8.0%	\$925,000	\$12	9
Anne Arundel	7.0%	7.0%	14,200,000	26	4
Baltimore City	9.5%	9.5%	21,970,916	35	3
Baltimore	8.0%	8.0%	8,507,153	11	10
Calvert	5.0%	5.0%	810,000	9	12
Caroline	5.0%	5.0%	28,000	1	22
Carroll	5.0%	5.0%	265,530	2	21
Cecil	3.0%	3.0%	79,700	1	23
Charles	5.0%	5.0%	1,000,000	7	16
Dorchester	5.0%	5.0%	250,000	8	15
Frederick	3.0%	3.0%	1,075,000	5	19
Garrett	5.0%	6.0%	1,900,000	63	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,200,000	14	7
Kent	5.0%	5.0%	101,000	5	18
Montgomery	7.0%	7.0%	19,051,600	19	6
Prince George's	5.0%	5.0%	5,286,700	6	17
Queen Anne's	5.0%	5.0%	420,000	9	13
St. Mary's	5.0%	5.0%	850,000	8	14
Somerset	5.0%	5.0%	55,000	2	20
Talbot	4.0%	4.0%	975,000	26	5
Washington	6.0%	6.0%	2,073,700	14	8
Wicomico	6.0%	6.0%	1,005,084	10	11
Worcester	4.5%	4.5%	11,250,000	218	1
Total			\$96,279,383	\$17	

Source: Fiscal 2013 County Budgets; Department of Legislative Services