

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1394 (Washington County Delegation)
Ways and Means

Referred to Budget and Taxation

Local Subdivisions - Revenues - Tourism

This enrolled bill increases from 3% to 3.5% the hotel tax rate in Washington County for fiscal 1997. The additional revenue collected as a result of the increase must be distributed to the City of Hagerstown for use in the promotion of Civil War tourism in the county. In addition, the Hagerstown/Washington County Convention and Visitors Bureau must spend at least \$55,000 in fiscal 1998 on promoting Civil War tourism.

The bill also limits the hotel tax rate in Baltimore City to 7.5% in fiscal 1997. Further, the bill authorizes Baltimore City to use up to \$5 million in highway user revenues for convention center marketing and convention center debt service payments. Of the \$5 million, at least \$3 million must be appropriated specifically for convention center marketing.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City revenues could decrease by \$3.4 million in FY 1997, while expenditures would not be directly affected. Washington County and City of Hagerstown revenues and expenditures could increase by \$50,000 to \$55,000 in FY 1997. County expenditures could increase by an indeterminate amount in FY 1998.

Fiscal Analysis

Local Effect: Under Baltimore City's projected fiscal 1997 budget, the hotel tax rate is 9.9%. This rate is expected to generate \$13.9 million in revenues based on hotel rental receipts of \$140 million. Under this bill, the rate would be limited to 7.5%. This rate is expected to generate \$10.5 million in revenues. As a result, the city would lose approximately \$3.4 million in revenue in fiscal 1997 due to the lower rate.

The bill also allows Baltimore City to use up to \$5 million in highway user revenues for convention center marketing and debt service payments. Of the \$5 million, at least \$3 million must be appropriated specifically for marketing. These provisions would not directly affect city expenditures. Instead, the provisions would simply result in a different allocation of the highway user revenues.

The increase of 0.5% in the hotel tax rate in Washington County is expected to generate between \$50,000 and \$55,000 in additional revenues for the county in fiscal 1997. This revenue, however, would be distributed to the City of Hagerstown. Accordingly, the bill's provisions would have a neutral impact on the county in fiscal 1997.

In fiscal 1998 the Hagerstown/Washington County Convention and Visitors Bureau must spend at least \$55,000 on promoting Civil War tourism. To the extent this provision requires the county to appropriate additional funds to the bureau, county expenditures could increase. The potential increase cannot be determined beforehand.

As mentioned above, the City of Hagerstown would receive any additional revenue generated by the increase in the hotel tax. Accordingly, city revenues would increase by \$50,000 to \$55,000 in fiscal 1997. Since the monies are to be used for promoting Civil War tourism in the area, city expenditures would also increase by a similar amount.

Information Source(s): Washington County, Baltimore City, Department of Fiscal Services

Fiscal Note History: First Reader - March 7, 1996
ncs Revised - House Third Reader - March 26, 1996
lc Enrolled Bill - May 13, 1996

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