

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 713 (Frederick County Delegation)

Ways and Means

Frederick County - Hotel Rental Tax

This bill authorizes Frederick County to impose a hotel rental tax of not more than 5%. County hotels must file hotel rental tax returns before the 21st day of each month. Frederick County may provide, by resolution, a tax exemption for classes of hotels. The county can keep 5% of the hotel tax revenues for administrative costs and the remaining revenues must underwrite the Frederick County tourism budget.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: None. All tax revenues generated by the bill would go to Frederick County.

Local Effect: Frederick County revenues could increase by up to \$827,522 in FY 2001 assuming a 5% hotel tax. This amount could be less, depending on the hotels exempted from the tax.

Small Business Effect: Minimal.

Analysis

Current Law: Frederick County is one of three counties (Carroll and Harford are the others) that are not authorized to charge a hotel rental tax. Calvert and St. Mary's counties may provide tax exemptions for classes of hotels.

Background: Except for a small portion that the county would keep for administrative costs, the revenues Frederick County would generate through the hotel rental tax would be used to

promote tourism in the county. The fiscal 2001 revenues, and possibly revenues from future fiscal years, would be used to fund the visitors center that is being built at the intersection of Interstates 70 and 270 in the City of Frederick.

Local Revenues: In fiscal 1999, the Office of the Comptroller collected \$1.2 million in sales tax from lodging establishments in Frederick County, \$600,050 from establishments that do not have restaurants and \$568,679 from establishments that do. In the hotels that also have restaurants, it is estimated that 40% of the sales tax revenues came from room rentals. It is assumed that all of the sales tax revenues in lodging establishments without restaurants came from room rentals. Therefore, an estimated \$827,522 in sales tax came from all room rentals in Frederick County, meaning that about \$16.6 million was collected for room rentals by hotels, motels, and inns in Frederick County. The bill authorizes Frederick County to charge up to 5% in hotel rental tax. If room rentals do not change substantially, a 2% tax would generate about \$331,000 annually and a 5% tax would generate about \$827,500 annually. If exemptions are provided for certain classes of hotels, these estimates would be reduced accordingly. The effective date for the bill is July 1, 2000 so the full impact of the legislation would be realized in fiscal 2001.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 28, 2000
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