

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 450 (Senator McFadden, *et al.*)
(Baltimore City Administration)

Budget and Taxation

Ways and Means

Baltimore City - Hotel Room Tax - Convention Center Promotion

This bill extends until July 1, 2007 the requirement that Baltimore City appropriate at least 40% of the proceeds for convention center marketing and tourism promotion.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: None. The bill pertains exclusively to Baltimore City.

Local Effect: Baltimore City's mandatory expenditures for convention center marketing and tourism promotion would continue through FY 2007. Baltimore City could increase its hotel room tax beyond the current rate of 7.5%.

Small Business Effect: Minimal.

Analysis

Current Law: The hotel room tax in Baltimore City may not exceed 7.5% and the Mayor and city council must appropriate, from the city's general fund, an amount equal to at least 40% of the proceeds of the hotel tax for convention center marketing and tourism promotion. The hotel room tax limit and the mandatory appropriation for convention center marketing and tourism promotion sunsets on July 1, 2002.

Background: Chapter 665 of 1996 limited the hotel room tax in Baltimore City to 7.5% for fiscal 1997 only.

Chapters 611 and 612 of 1997 extended this limitation for five years and required that Baltimore City appropriate at least 40% of the tax proceeds for convention center and tourism promotional activities. Over this period Baltimore City has appropriated over \$22.5 million to the Baltimore Area Convention and Visitors Association (BACVA).

Before Baltimore City was required to appropriate a portion of its hotel room tax receipts for convention and tourism promotion, the Department of Business and Economic Development (DBED) allocated more funding to BACVA than they currently do. For example, DBED provided \$1 million to BACVA in fiscal 1997 compared to \$750,000 for fiscal 2002. DBED advises that without the city's mandatory appropriation, the State may have to provide additional funding to BACVA. (DBED advises that, since Pennsylvania and Virginia outspend Maryland on tourism promotion, its funding to BACVA could increase by several million dollars if the hotel room tax expired.)

Local Fiscal Effect: The hotel room tax of 7.5% is expected to generate \$15.3 million in fiscal 2001, based on hotel receipts of \$204.6 million. Baltimore City must appropriate at least \$6.2 million of the tax receipts for convention and tourism promotion. Baltimore City's fiscal 2001 budget includes a \$6,574,031 appropriation to BACVA.

Each 1% increase in the city's hotel room tax rate would generate approximately \$2 million in additional revenue, assuming the occupancy rate at city hotels does not change.

For illustrative purposes, Baltimore County imposes an 8% hotel room tax.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Department of Business and Economic Development, Department of Legislative Services

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