

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 562
Ways and Means

(Allegany County Delegation)

Budget and Taxation

Western Maryland Code Counties - Hotel Rental Tax

This bill authorizes a code county in the Western Maryland class to set a hotel rental tax rate that is greater than 3%, but not greater than 8%, with the unanimous consent of the county commissioners. The bill also contains provisions regarding the distribution of hotel rental tax receipts and reporting requirements.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None.

Local Effect: Allegany County revenues could increase by approximately \$107,200 annually if a hotel rental tax rate of 8% is imposed by the county. County expenditures would not be directly affected.

Small Business Effect: Minimal. Hotels in Allegany County could be negatively impacted by a higher hotel rental tax rate if hotel rental activity shifts to surrounding areas outside of the county. The hotel rental tax rate is 4% in Garrett County and 6% in Washington County.

Analysis

Bill Summary: The bill also provides that any code county in the Western Maryland class that imposes a tax rate of greater than 5% must attribute the additional revenue to the county's general fund instead of to the municipal corporation. By October 1 of each

year, the county must prepare a report for public distribution, publish the report in a newspaper of general circulation in the county, and post the report on the county's Internet web site. The report must contain: (1) the amount of hotel rental tax revenue collected by the county in the previous fiscal year; (2) an itemized statement of the use of the hotel rental tax revenue; and (3) the name and salary of each position in the county agency that administers the hotel rental tax. The county must provide a copy of any audits performed annually relating to the hotel rental tax to the county Senate and House Delegations of the General Assembly.

Current Law: A code home rule county may not set a hotel rental tax greater than 3%. However, with the unanimous consent of the county commissioners the rate can be increased to 5%. Code home rule counties are required, after deducting a reasonable sum for administrative expenses, to distribute hotel rental tax revenue attributable to a hotel located in a municipality to the municipal corporation.

Background: Allegany County is the only county in Western Maryland that has adopted code home rule under Article XI-F of the Maryland Constitution. Allegany County currently has a 5% hotel rental tax rate which generated \$178,712 in fiscal 2002.

As of fiscal 2003, hotel rental tax rates vary from 3% in Kent, Queen Anne's, Somerset, and Talbot counties to 8% in Baltimore County. Five counties (Calvert, Caroline, Carroll, Frederick, and Harford) do not impose a hotel tax.

Local Fiscal Effect: Allegany County hotel rental tax revenues would increase by approximately \$107,200 annually assuming the county imposes an 8% tax rate and hotel rental activity remains constant. The fiscal impact would be less if a tax rate of greater than 5% but less than 8% is imposed. Allegany County advises that it would transfer any additional revenue generated by the higher tax rate to the county's general fund and that the additional revenue would be used to support tourism in the county.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 25, 2003
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