

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 380
Ways and Means

(Delegate Elmore)

Budget and Taxation

Somerset County - Hotel Rental Tax - Rate

This bill authorizes the Somerset County Commissioners to increase the hotel rental tax rate to a rate not to exceed 5%.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: Somerset County revenues could increase by approximately \$27,600 annually if a hotel rental tax rate of 5% is imposed by the county. County expenditures would not be affected.

Small Business Effect: Minimal overall, but potentially significant for hotel operators.

Analysis

Current Law: The Somerset County Commissioners are authorized to set a hotel rental tax rate that does not exceed 3%.

Background: As of fiscal 2004, hotel rental tax rates vary from 3% in Kent, Queen Anne's, Somerset, and Talbot counties to 8% in Baltimore County. Caroline, Carroll, Frederick, and Harford counties do not impose a hotel tax.

Chapter 441 of 1989 authorized the Somerset County Commissioners to set a hotel rental tax rate not to exceed 3%. The commissioners approved the implementation of a 3% hotel rental tax rate effective July 1, 1993.

Local Fiscal Effect: In fiscal 2003 Somerset County imposed a hotel rental tax rate of 3% and collected \$41,346 in hotel rental taxes. Somerset County advises that it would impose a 5% hotel rental tax rate beginning on July 1, 2004. Assuming hotel rental activity remains constant, Somerset County revenues could increase by approximately \$27,564 annually beginning in fiscal 2005. The fiscal impact would be less if a tax rate of greater than 3% but less than 5% is imposed. Somerset County further advises that all additional revenue generated by the higher tax rate would be deposited in the county's general fund.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 15, 2004
n/mdr

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