

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 471

(Frederick County Delegation)

Ways and Means

Budget and Taxation

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 twenty-first day of each month. Frederick County may keep a reasonable sum for administrative costs, and the remaining revenues are dedicated to the Tourism Council of Frederick County. The bill exempts hotels with 10 or fewer sleeping rooms in its main building and no more than 20 additional sleeping rooms in auxiliary structures on the hotel's property.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: Frederick County revenues could increase by up to \$936,800 annually beginning in FY 2005 assuming a 5% hotel tax. Expenditures would not be affected.

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

Analysis

Current Law: Frederick County is not authorized to impose a hotel rental tax.

Hotel rental taxes are charged in every county except Caroline, Carroll, Frederick, and Harford. Hotel rental tax rates range from 3% in Kent, Queen Anne's, Somerset, and Talbot counties to 8% in Baltimore City.

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 including a visitor's center that is to be constructed at the intersection of Interstates 70 and 270 in the City of Frederick.

Garrett, Washington, and Wicomico counties also fund local promotion and tourism budgets through a portion of the hotel rental tax.

Bed and breakfast establishments are generally defined as having 11 or fewer bedrooms. However, data collected by the Maryland Department of Business and Economic Development indicates that there are a total of 117 rooms at 25 bed and breakfast establishments in Frederick County and that every one of these establishments in the county has 10 or fewer rooms. Accordingly, all bed and breakfast establishments currently in Frederick County would be exempt from paying the hotel rental tax. Other hotels that would be exempt include some country inns and other small hotels, depending on the number and arrangement of rooms.

The State imposes a 5% sales tax on hotel room rentals.

Local Fiscal Effect: It is estimated that room rentals by hotels, motels, and inns in Frederick County totaled \$18.0 million in fiscal 2003 after excluding estimated sales by hotel restaurants and by exempted small inns. Assuming a growth rate of 2% annually, total collections for room rentals in fiscal 2005 is estimated to be \$18.7 million. The bill authorizes Frederick County to charge up to a 5% hotel rental tax. If room rental activity does not change substantially, a 3% tax would generate about \$562,100 annually and a 5% tax would generate about \$936,800 annually, beginning in fiscal 2005.

Additional Information

Prior Introductions: None. However, a similar bill was introduced in the 2000 session as HB 713. The bill received an unfavorable report from the Budget and Taxation Committee.

Cross File: SB 441 (Senator Brinkley) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 16, 2004
ncs/mdr

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