

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 897
Ways and Means

(Delegates Haddaway and Eckardt)

Budget and Taxation

Talbot County - Hotel Rental Tax Rate

This bill authorizes the Talbot County Commissioners to increase the hotel rental tax rate to a rate not to exceed 4% from January 1, 2005 through December 31, 2006. The bill provides that the hotel rental tax rate may not exceed 3% beginning on January 1, 2007.

The bill takes effect January 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Talbot County revenues would increase by approximately \$33,700 in FY 2005, by \$67,500 in FY 2006, and by \$33,700 in FY 2007 assuming a 4% hotel tax. Municipal revenues would increase by approximately \$73,200 in FY 2005, by \$146,500 in FY 2006, and by \$73,200 in FY 2007 assuming a 4% hotel tax.

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

Analysis

Current Law: The Talbot County Commissioners are authorized to set a hotel rental tax rate that does not exceed 3%. County law requires any hotel tax revenue generated within a municipality to be returned to the municipality.

Background: As of fiscal 2004, hotel rental tax rates range 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 452 of 1985 authorized the Talbot 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, 1985.

There are five municipalities in Talbot County: Easton, Oxford, Queen Anne, St. Michael's, and Trappe. The towns of Easton, Oxford, and St. Michael's have hotels and receive hotel rental tax revenues generated in their jurisdiction. The towns of Queen Anne and Trappe do not have hotels.

Local Fiscal Effect: In fiscal 2003 Talbot County imposed a hotel rental tax rate of 3% and collected \$641,859 in hotel rental taxes. The county remitted hotel tax revenue of \$439,396 to municipalities (\$174,306 to Easton, \$22,058 to Oxford, and \$243,032 to St. Michael's). The county's net share of hotel tax revenue was \$202,463.

Talbot County advises that it expects to impose a 4% hotel rental tax rate beginning on January 1, 2005 for the duration of calendar 2005 and 2006.

Assuming hotel rental activity remains constant, Talbot County revenues could increase by approximately \$33,700 in fiscal 2005 which includes the first six months of calendar 2005. County revenues would increase by approximately \$67,500 in fiscal 2006 when the higher hotel tax rate is effective for the entire fiscal year. County revenues would increase by approximately \$33,700 in fiscal 2007 which includes the last six months of calendar 2006.

Aggregate municipal revenues could increase by approximately \$73,200 in fiscal 2005 which includes the first six months of calendar 2005, by \$146,500 in fiscal 2006 when the higher hotel tax rate is effective for the entire fiscal year, and by \$73,200 in fiscal 2007 which includes the last six months of calendar 2006.

The fiscal impact would be less if a tax rate of greater than 3% but less than 4% is imposed. Talbot County further advises that the net revenue to the county generated by the higher tax rate would be used to promote tourism and economic development in the county.

Additional Information

Prior Introductions: None.

Cross File: SB 677 (Senator Colburn) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 1, 2004

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