

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 864
Ways and Means

(Carroll County Delegation)

Budget and Taxation

Carroll County - Hotel Rental Tax

This bill authorizes Carroll County to impose a 5% hotel rental tax. The tax does not apply to a hotel with 10 or fewer sleeping rooms. Hotels must file their monthly rental tax return with the county by the twenty-first of each month. Carroll County may retain a reasonable amount of the hotel tax for administrative expense and the remaining balance must be used for tourism and general promotion of the county.

Fiscal Summary

State Effect: None.

Local Effect: Carroll County revenues could increase from the imposition of a hotel tax by approximately \$251,000 in FY 2006 and by \$335,000 beginning in FY 2007. Expenditures for tourism and general county promotion would increase by a like amount. Out-year revenues and corresponding expenditures are expected to increase by 3% annually.

Small Business Effect: Potential minimal increase in administrative expenses.

Analysis

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

Background: Hotel taxes are currently imposed in 21 counties and Baltimore City, with rates ranging from 3% to 8%. Harford County is the only other jurisdiction in Maryland that does not impose a hotel tax as of fiscal 2005. State law requires the following distributions, after specified administrative costs, for hotel tax revenues:

- in a code county and Calvert, Cecil, Garrett, and St. Mary's counties, that portion of the tax attributable to a hotel in a municipality to the municipality;
- Dorchester County must provide 80% of the revenues attributed to hotels located in a municipality to the municipality;
- Frederick County must designate a portion for a visitors' center and the remainder to the Tourism Council;
- Garrett County must designate a portion for the promotion of the county;
- Washington County must use 45% to fund the Hagerstown/Washington County Convention and Visitors Bureau; and
- Wicomico County must provide 20% of the revenue to the Salisbury Zoological Park, 20% to the Tourism Center, and the remainder must be used for the Wicomico County Convention and Visitors' Bureau.

Local Revenues: Carroll County revenues would increase from hotel taxes by approximately \$251,000 in fiscal 2006 and by \$335,000 on an annualized basis. The estimate is based on 442 hotel rooms in the county subject to the tax, average room occupancy of 65%, a 5% tax rate, and a \$7,000 revenue loss for preexisting rates negotiated with the Baltimore Ravens. County expenditures for tourism and general promotion of the county will increase by a corresponding amount. Out-year revenues and expenditures are expected to increase by 3% annually.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2005
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