

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 991

(Delegate Anderson, *et al.*)

(By Request – Baltimore City Administration)

Ways and Means

Budget and Taxation

Baltimore City - Hotel Room Tax - Convention Center Promotion

This bill extends until July 1, 2012 the requirement that Baltimore City appropriate at least 40% of hotel room tax proceeds to convention center marketing and tourism promotion, and specifies that this appropriation be made to the Baltimore Area Convention and Visitors Association (BACVA). The bill also repeals an obsolete provision of law that limited the Baltimore City hotel room tax rate from exceeding 7.5%; this provision terminated July 1, 2002.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City's mandatory expenditures for convention center marketing and tourism promotion would continue through FY 2012.

Small Business Effect: Minimal.

Analysis

Current Law: Baltimore City must appropriate, from the city's general fund, an amount equal to at least 40% of the proceeds of the hotel room tax for convention center marketing and tourism promotion. The hotel room tax limit of 7.5% terminated July 1, 2002.

Background: Chapter 665 of 1996 limited the hotel room tax in Baltimore City to 7.5% for fiscal 1997 only. Chapters 611 and 612 of 1997 extended this limitation for five years and required Baltimore City to appropriate at least 40% of the tax proceeds for convention center marketing and tourism promotional activities. Chapter 387 of 2001 extended this requirement until July 1, 2007.

Local Fiscal Effect: Baltimore City's hotel room tax rate is 7.5% and is expected to generate \$20.1 million in fiscal 2008. Baltimore City must appropriate at least \$8.0 million to BACVA for convention and tourism promotion; the fiscal 2007 city budget complies with this requirement, as shown in **Exhibit 1**. In three fiscal years (2002, 2005, and 2006), BACVA received less than 40% of the hotel tax proceeds.

Exhibit 1
Distribution of Baltimore City Hotel Tax Revenues
Fiscal 2001-2008

<u>Fiscal Year</u>	<u>Hotel Tax Revenue</u>	<u>Debt Service</u>	<u>City Government</u>	<u>BACVA</u>
2001	\$16,239,796	\$4,631,000	\$5,075,796	\$6,533,000
2002	18,118,656	4,636,000	6,327,320	7,155,336
2003	17,272,999	4,637,000	5,080,432	7,555,567
2004	16,793,496	4,579,000	4,952,927	7,261,569
2005	19,121,630	4,568,000	7,520,031	7,033,599
2006	20,509,962	4,700,000	8,838,964	6,970,998
2007 ¹	19,960,000	4,643,000	6,809,148	8,507,852
2008 ¹	20,065,000	4,313,000	6,802,015	8,949,985

¹Estimated revenue.
Source: Baltimore City

Additional Information

Prior Introductions: None.

Cross File: SB 407 (Senator McFadden) (By Request – Baltimore City Administration) – Budget and Taxation.

Information Source(s): Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2007
ncs/hlb

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