

Department of Legislative Services
 Maryland General Assembly
 2007 Special Session

FISCAL AND POLICY NOTE

House Bill 52 (Delegate Hucker)
 Ways and Means

Sales and Use Tax Rate - Room Rentals

This bill increases the State sales and use tax on hotel room rentals from 5% to 10%.

The bill takes effect January 1, 2008.

Fiscal Summary

State Effect: General fund revenues could increase by \$39.8 million in FY 2008 and \$83.5 million in FY 2009. Future year revenues reflect annualization and 5% annual growth.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	\$39.8	\$83.5	\$87.7	\$92.1	\$96.7
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$39.8	\$83.5	\$87.7	\$92.1	\$96.7

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The State sales and use tax is 5% and is imposed on hotel/motel room rentals, as well as to other items or services sold by these facilities.

Background: All local jurisdictions, except Harford County, impose a hotel rental tax as shown in **Exhibit 1**.

State Revenues: The bill imposes an additional 5% sales tax on specified room rentals. As a result, general fund revenues could increase by approximately \$39.8 million in fiscal 2008, which reflects one-half year collections due to the bill's January 1, 2008 effective date. The increase would be \$83.5 million in fiscal 2009 and \$96.7 million by fiscal 2012, reflecting both annualization and projected growth in sales. The estimate is based on the following facts and assumptions:

- local hotel/motel tax collections were \$87.9 million in fiscal 2006; this represents a taxable base of \$1.4 billion;
- State sales tax collections for the “hotels, motels, apartments, cottages” category of the sales and use tax collection report were \$60.9 million in fiscal 2006 and \$65.4 million in fiscal 2007; and
- collections will increase by approximately 5% annually.

Small Business Effect: To the extent that the increased State tax on room rentals alters consumer behavior, small businesses such as small motel operators and bed and breakfast owners could be negatively impacted.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Municipal League, Maryland Association of Counties, Comptroller's Office, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - November 2, 2007
mll/hlb

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Exhibit 1
Hotel Rental Tax Rates Under HB 52
County and State Rates

County	County Hotel Tax	State Sales Tax	Total Tax Rates	Proposed Under HB 52	
	Under Current Law	Under Current Law	Under Current Law	State Hotel Tax	Total Tax Rates
Allegany	8.0%	5.0%	13.0%	10.0%	18.0%
Anne Arundel	7.0%	5.0%	12.0%	10.0%	17.0%
Baltimore City	7.5%	5.0%	12.5%	10.0%	17.5%
Baltimore	8.0%	5.0%	13.0%	10.0%	18.0%
Calvert	5.0%	5.0%	10.0%	10.0%	15.0%
Caroline	5.0%	5.0%	10.0%	10.0%	15.0%
Carroll	5.0%	5.0%	10.0%	10.0%	15.0%
Cecil	5.0%	5.0%	10.0%	10.0%	15.0%
Charles	5.0%	5.0%	10.0%	10.0%	15.0%
Dorchester	5.0%	5.0%	10.0%	10.0%	15.0%
Frederick	3.0%	5.0%	8.0%	10.0%	13.0%
Garrett	5.0%	5.0%	10.0%	10.0%	15.0%
Harford	0.0%	5.0%	5.0%	10.0%	10.0%
Howard	5.0%	5.0%	10.0%	10.0%	15.0%
Kent	5.0%	5.0%	10.0%	10.0%	15.0%
Montgomery	7.0%	5.0%	12.0%	10.0%	17.0%
Prince George's	5.0%	5.0%	10.0%	10.0%	15.0%
Queen Anne's	5.0%	5.0%	10.0%	10.0%	15.0%
St. Mary's	5.0%	5.0%	10.0%	10.0%	15.0%
Somerset	5.0%	5.0%	10.0%	10.0%	15.0%
Talbot	4.0%	5.0%	9.0%	10.0%	14.0%
Washington	6.0%	5.0%	11.0%	10.0%	16.0%
Wicomico	6.0%	5.0%	11.0%	10.0%	16.0%
Worcester	4.0%	5.0%	9.0%	10.0%	14.0%

Source: Department of Legislative Services