

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 11

(Chair, Anne Arundel County Senators)

Budget and Taxation

Ways and Means

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Anne Arundel County Tourism and Economic Development Promotion Act of  
2009

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This bill requires Anne Arundel County to collect hotel tax revenues generated within the boundaries of the City of Annapolis. The county must distribute a portion of all proceeds to the Arts Council of Anne Arundel County and the Annapolis and Anne Arundel County Conference and Visitors Bureau. The organizations must annually report on their use of hotel tax revenue during the preceding fiscal year.

The bill takes effect July 1, 2009.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Anne Arundel County expenditures increase over current practice by \$260,000 in FY 2010 and by \$2.0 million annually beginning in FY 2014. City of Annapolis revenues decrease by \$60,000 in FY 2012 and by \$260,000 annually beginning in FY 2014. **The bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Meaningful. Tourism-related businesses in Anne Arundel County may benefit significantly from increased funding to the Annapolis and Anne Arundel County Conference and Visitors Bureau.

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## Analysis

**Bill Summary:** Anne Arundel County must collect hotel taxes generated within the City of Annapolis. The county must distribute a portion of all hotel tax revenues collected in the county and the City of Annapolis to the Annapolis and Anne Arundel County Conference and Visitors Bureau and the Arts Council of Anne Arundel County. For hotel taxes generated within the City of Annapolis, after the required distributions to the arts council and the conference and visitors bureau, the balance is transferred to the city.

Distributions to the Annapolis and Anne Arundel County Conference and Visitors Bureau must equal, 8% of city-generated hotel tax revenues in fiscal 2012, 12.5% in fiscal 2013, and 17% in fiscal 2014 and thereafter. Distributions to the Arts Council of Anne Arundel County must equal 2% of city-generated hotel tax revenues in fiscal 2012, 2.5% in fiscal 2013, and 3% in fiscal 2014 and thereafter. Hotel tax revenues generated outside the City of Annapolis must follow the same distribution percentages. Additionally, the county must distribute \$260,000 from the county's share to the arts council in fiscal 2010 and 2011 and must distribute 7% of the county's share to the conference and visitors bureau in fiscal 2010 and 2011.

**Current Law:** Anne Arundel County is authorized to impose a tax for space rental, which includes the use of hotel rooms. The current hotel tax rate is 7%. State law does not limit the maximum hotel tax rate that can be imposed in Anne Arundel County. Hotel tax revenues generated in the City of Annapolis are required to be collected and retained by the city.

Generally, Maryland counties have the authority to impose and collect a hotel tax up to the limits designated by the Annotated Code of Maryland. Authorized rates vary by county but may be as low as 3% in Frederick County and as high as 8% in Allegany and Baltimore counties. Harford County does not impose a hotel tax.

Carroll, Garrett, Frederick, Washington, and Wicomico counties have provisions requiring a certain amount of hotel tax revenues be used for tourism and the general promotion of the county. Anne Arundel County has no such requirement.

**Background:** Historically, Anne Arundel County has dedicated 7% of hotel tax revenues collected by the county to the conference and visitors bureau. However, in May 2008, the county law office advised that dedication of hotel tax revenues to a specific purpose is prohibited under the county charter. Subsequently, for fiscal 2009, the county provided an operating grant to the conference and visitors bureau from the county's general fund equal to 7% of the hotel tax yield. **Exhibit 1** shows county contributions to the conference and visitors bureau and the Arts Council from hotel tax revenues. The county budget for fiscal 2010 has not yet been finalized.

The City of Annapolis dedicates approximately 7% of hotel tax revenues to the conference and visitors bureau. In fiscal 2008 the city contributed \$160,000 and the budgeted contribution for fiscal 2009 is \$140,000. Distributions to the arts council vary annually. In fiscal 2009, the city provided a \$15,000 grant to the arts council.

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**Exhibit 1**  
**Anne Arundel County Hotel Tax Revenues**  
**Fiscal 2009 Budget**

	<u>City of Annapolis</u>	<u>Anne Arundel County</u>
Budgeted Hotel Tax Revenues	\$2,000,000	\$14,700,000
Fiscal 2009 Disbursements		
Conference and Visitors Bureau	\$140,000	\$1,050,000
Arts Council of Anne Arundel County	\$15,000	\$260,000

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The Annapolis and Anne Arundel County Conference and Visitors Bureau is responsible for planning, producing, and promoting programs designed to increase the volume of visitors, vacation, and conference/meeting business within Annapolis and Anne Arundel County. The bureau serves as liaison between private and public agencies concerned with the economic benefits of the travel and conference industry in Annapolis and Anne Arundel County. The bureau actively seeks out and encourages cooperative promotional efforts between its members, State, and regional organizations to increase travel and conference/meeting business in Annapolis and Anne Arundel County.

The Arts Council of Anne Arundel County is a nonprofit organization that seeks to encourage and invest in visual arts, performing arts, and historic preservation for the residents of the county. Through a partnership of public and private interests, it provides funding for music, dance, drama, and the visual arts.

**Local Fiscal Effect:** Anne Arundel County expenditures for the conference and visitors bureau and the arts council increase by \$260,000 over current practice in fiscal 2010 and 2011. As shown in **Exhibit 2**, expenditures increase by \$1.2 million in fiscal 2013 and by \$2.0 million annually beginning in fiscal 2014 and thereafter. The county may incur additional administrative expenses to collect hotel taxes within the City of Annapolis and make the required distributions of hotel tax revenues. The actual impact depends on the amount of hotel tax revenues collected by the county each year

City of Annapolis hotel tax revenues decrease by \$60,000 in fiscal 2012 and by \$260,000 annually in fiscal 2014 and thereafter. The actual impact depends on the amount of hotel tax revenues collected within the city limits each year. City of Annapolis administrative expenditures may decrease as a result of the county collecting the hotel tax within the city.

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**Exhibit 2**  
**Anne Arundel County Hotel Tax Revenues Under SB 11**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>County Hotel Tax Revenues</b>	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
<b>Annapolis Hotel Tax Revenues</b>	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Grants as a Percentage of Hotel Tax Revenues</b>					
Conference and Visitors Bureau	7.0%	7.0%	8.0%	12.5%	17.0%
Annapolis Arts Council	0%	0%	2.0%	2.5%	3.0%
<b>Anne Arundel County Contribution</b>					
Conference and Visitors Bureau	1,050,000	1,050,000	1,200,000	1,875,000	2,550,000
Annapolis Arts Council	260,000	260,000	300,000	375,000	450,000
<b>City of Annapolis Contribution</b>					
Conference and Visitors Bureau	140,000	140,000	160,000	250,000	340,000
Annapolis Arts Council	0	0	40,000	50,000	60,000
<b>Difference from Current Practice</b>					
Anne Arundel County	\$260,000	\$260,000	\$450,000	\$1,200,000	\$1,950,000
City of Annapolis	\$0	\$0	\$60,000	\$160,000	\$260,000

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**Small Business Effect:** It is estimated that every dollar spent on destination marketing yields a \$28 return on investment to the Maryland economy. Therefore, any additional funding to the Annapolis and Anne Arundel County Conference and Visitors Bureau may increase revenues for tourism-related businesses.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Annapolis and Anne Arundel County Conference and Visitors Bureau, Anne Arundel County, Department of Legislative Services

**Fiscal Note History:** First Reader - January 27, 2009  
mcp/hlb Revised - Senate Third Reader - April 6, 2009  
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Analysis by: Erik P. Timme

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510