

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 222

(Senator Edwards)

Budget and Taxation

Ways and Means

Garrett County - Hotel Rental Tax

This bill increases the maximum allowed hotel tax rate in Garrett County from 5% to 8%.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Garrett County revenues increase by up to \$855,000 in FY 2010 and thereafter. Expenditures are not affected.

Small Business Effect: Potential meaningful for hotel operators and tourism-related businesses in Garrett County.

Analysis

Current Law: 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.

Background: Chapter 259 of 1992 increased the maximum allowed hotel tax rate in Garrett County from 3% to 5%. Through resolution, the county increased the effective hotel tax rate from 3% to 4% in 2001. In July 2005, the hotel tax rate was increased to the current rate of 5%.

Local Fiscal Effect: Garrett County collected approximately \$1.6 million in hotel tax revenues in fiscal 2008 and is projected to collect \$1.4 million in fiscal 2009. Assuming the county imposes the maximum allowed rate of 8% and hotel rental activity remains constant, Garrett County hotel tax revenues may increase by \$855,000 annually. The fiscal impact will be smaller if a lesser rate is imposed.

Small Business Effect: Hotel operators in Garrett County may be negatively impacted by a higher hotel rental tax rate if hotel rental activity shifts to surrounding areas outside of the county. However, neighboring Allegany County already imposes an 8% hotel tax rate. In addition, tourism-related businesses in Garrett County could benefit from increased funding for county promotions.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Garrett County, Comptroller's Office, Department of Legislative Services

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ncs/hlb

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