

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 664
Ways and Means

(Delegate Riley)

Harford County - Authority to Impose a Hotel Rental Tax

This bill authorizes Harford County to impose a 5% hotel rental tax. The county must hold a public hearing before implementing a hotel rental tax. Revenue generated from the hotel rental tax must be distributed to the county general fund, after a reasonable amount is deducted for administrative expenses. The county may provide, by law, for an exemption for transient charges paid by a nonprofit charitable organization to a hotel to provide temporary shelter for individuals who are in need.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Harford County revenues may increase by approximately \$2.1 million annually beginning in FY 2011. County expenditures are not affected.

Small Business Effect: Potential minimal increase in administrative expenses for hotels or motels imposing the tax.

Analysis

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

Background: Hotel taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3% to 8%. Harford County is the only jurisdiction in Maryland that does not impose a hotel rental tax. State law requires, after a distribution for

specified administrative costs, hotel tax revenues be distributed to the county's general fund, except:

- 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 must be distributed to the municipality;
- 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;
- 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 50% to fund the Hagerstown/Washington County Convention and Visitors Bureau; and
- Wicomico County must provide 16.7% of the revenue to the Salisbury Zoological Park, 16.7% to the Tourism Center, and the remainder must be used for the Wicomico County Convention and Visitors Bureau.

Local Fiscal Effect: Harford County revenues may increase by approximately \$2.1 million annually beginning in fiscal 2011, to the extent the hotel rental tax is imposed. The estimate is based on the following facts and assumptions:

- there are at least 21 hotels and motels in the county that could impose the tax;
- these establishments have 1,805 rooms;
- the occupancy rate is 65%;
- the average nightly rate per room is \$100;
- hotels and motels operate 365 days per year; and
- the hotel tax rate is 5%.

The bill authorizes the county to use a reasonable amount of the revenue generated from the hotel tax for administrative expenses. As a result, county expenditures are not directly affected.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 16, 2010
ncs/hlb

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