

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 700
Ways and Means

(Howard County Delegation)

Budget and Taxation

Howard County - Hotel Rental Tax Rate
Ho. Co. 6-11

This bill authorizes Howard County to increase its hotel rental tax rate from 5% to 7%. Subject to the annual county budget process, Howard County must distribute any revenue attributable to the hotel rental tax rate greater than 5% as follows: (1) two-thirds to the Howard County Tourism Council and (2) one-third to the Howard County Economic Development Authority.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: None.

Local Effect: Howard County revenues increase by \$1.2 million beginning in FY 2012. County expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: The Howard County hotel rental tax rate is 5%.

Background: Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3% to 9.5% as shown in **Exhibit 1**. 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 rental 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: Howard County revenues may increase by approximately \$1.2 million annually beginning in fiscal 2012, to the extent the hotel rental tax is increased to 7%. The Howard County fiscal 2011 budget assumes \$3.4 million in revenue from the hotel rental tax. However, the county advises that it is not on schedule to reach this revenue amount. As a result, the county's fiscal 2012 budget will assume \$3.0 million in collections. Assuming a constant level of collections, county revenues will increase by approximately \$1.2 million, beginning in fiscal 2012.

Pursuant to the bill approximately \$800,000 will be distributed to the Howard County Tourism Council and \$400,000 will be distributed to the Howard County Economic Development Authority. The fiscal 2011 Howard County budget includes \$423,700 for the Tourism Council and \$1,270,700 for the Economic Development Authority.

Exhibit 1
Hotel and Motel Tax Revenues

County	County Tax Rates		FY 2009 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2009	FY 2011			
Allegany	8.0%	8.0%	\$668,970	\$9	9
Anne Arundel	7.0%	7.0%	13,986,168	27	3
Baltimore City	7.5%	9.5%	16,197,092	25	4
Baltimore	8.0%	8.0%	7,965,849	10	8
Calvert	5.0%	5.0%	763,877	9	13
Caroline	5.0%	5.0%	0	0	23
Carroll	5.0%	5.0%	287,495	2	21
Cecil	3.0%	3.0%	21,747	0	22
Charles	5.0%	5.0%	919,122	6	16
Dorchester	5.0%	5.0%	211,917	7	15
Frederick	3.0%	3.0%	1,096,144	5	19
Garrett	5.0%	5.0%	1,426,900	48	1
Harford	0.0%	0.0%	0	0	23
Howard	5.0%	5.0%	3,059,774	11	6
Kent	5.0%	5.0%	106,340	5	18
Montgomery	7.0%	7.0%	16,829,254	18	5
Prince George's	5.0%	5.0%	5,658,295	7	14
Queen Anne's	5.0%	5.0%	428,998	9	10
St. Mary's	5.0%	5.0%	634,659	6	17
Somerset	5.0%	5.0%	53,128	2	20
Talbot	4.0%	4.0%	1,006,978	28	2
Washington	6.0%	6.0%	1,530,500	11	7
Wicomico	6.0%	6.0%	829,736	9	12
Worcester ¹	4.5%	4.5%	437,093	9	11
Statewide			\$74,120,036	\$13	

¹Approximately \$11.2 million in revenues is forwarded to noncounty agencies.

Source: Department of Legislative Services; Maryland Association of Counties

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard County, Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2011

mm/hlb

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