

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 333

(Senator Edwards)

Budget and Taxation

Ways and Means

Garrett County - Hotel Rental Tax

This bill authorizes Garrett County to increase its hotel rental tax rate from 5% to 6%. The bill also redefines a transient charge in Garrett County to mean a hotel charge for sleeping accommodations of up to 30 days.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: None.

Local Effect: Garrett County hotel rental tax revenues may increase by \$280,000 beginning in FY 2013. County expenditures are not directly affected.

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

Analysis

Current Law: The Garrett County hotel rental tax rate is 5%. The county must designate a portion of the revenue collected for the promotion of the county.

Except in Carroll, Frederick, and Washington counties, a transient charge means a hotel charge for sleeping accommodations for up to four months.

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, that 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, the 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 rental 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 of the revenues for a visitors' center and the remainder to the Tourism Council;
- Howard County must distribute any revenue attributable to a hotel rental tax rate of 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;
- Washington County must use 50% of revenues 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: Garrett County revenues may increase by approximately \$280,000 annually beginning in fiscal 2013, to the extent the hotel rental tax is increased to 6%. Garrett County's fiscal 2012 budget assumes \$1.4 million in revenue from the hotel rental tax. Assuming a constant level of collections, county revenues will increase by approximately \$280,000 beginning in fiscal 2013.

Garrett County advises that each year the county budget provides an amount at least equal to the amount collected in hotel revenues to be distributed to the county Economic Development Department and the Chamber of Commerce for promotion of the county. Current law requires that a portion, but not a specific dollar amount, of hotel rental tax revenue be distributed for the promotion of the county. The fiscal 2012 county budget

includes approximately \$1.5 million in expenditures for economic development, including \$682,000 for the Garrett County Chamber of Commerce.

Exhibit 1
Hotel Rental Tax Revenues

County	County Tax Rates		FY 2012 Budget	Per Capita Revenues	Per Capita Ranking
	FY 2011	FY 2012			
Allegany	8.0%	8.0%	\$620,000	\$8	12
Anne Arundel	7.0%	7.0%	13,800,000	26	5
Baltimore City	9.5%	9.5%	21,014,916	34	3
Baltimore	8.0%	8.0%	7,528,000	9	10
Calvert	5.0%	5.0%	715,000	8	13
Caroline	5.0%	5.0%	0	0	23
Carroll	5.0%	5.0%	266,380	2	20
Cecil	3.0%	3.0%	56,000	1	22
Charles	5.0%	5.0%	997,100	7	16
Dorchester	5.0%	5.0%	250,000	8	14
Frederick	3.0%	3.0%	1,038,000	4	18
Garrett	5.0%	5.0%	1,400,000	47	2
Harford	0.0%	0.0%	0	0	23
Howard	5.0%	7.0%	4,200,000	15	7
Kent	5.0%	5.0%	12,000	1	21
Montgomery	7.0%	7.0%	19,968,000	21	6
Prince George's	5.0%	5.0%	5,234,400	6	17
Queen Anne's	5.0%	5.0%	420,000	9	11
St. Mary's	5.0%	5.0%	750,000	7	15
Somerset	5.0%	5.0%	50,000	2	19
Talbot	4.0%	4.0%	975,000	26	4
Washington	6.0%	6.0%	1,500,000	10	8
Wicomico	6.0%	6.0%	1,000,000	10	9
Worcester	4.5%	4.5%	11,250,000	219	1
Total			\$93,044,796	\$16	

Source: Fiscal 2012 county budgets; Department of Legislative Services

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 areas outside of the

county. However, neighboring Allegany County already imposes an 8% hotel rental tax rate. In addition, tourism-related businesses in Garrett County could benefit from increased funding for county promotions.

Additional Information

Prior Introductions: A similar bill, SB 222 of 2009, passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: HB 224 (Delegate Beitzel) - Ways and Means.

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

Fiscal Note History: First Reader - February 3, 2012
ncs/jrb Revised - Senate Third Reader - March 24, 2012
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