

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 216

(Senator Edwards)

Budget and Taxation

Ways and Means

Garrett County - Hotel Rental Tax - Rate and Distribution of Revenue

This bill increases the maximum hotel rental tax rate that may be imposed in Garrett County from 6% to 8%. The bill also requires that the non-municipal portion of hotel rental tax revenues collected from a tax rate in excess of 6% be distributed to the county's general fund. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Garrett County revenues may increase by approximately \$800,000 annually beginning in FY 2020 to the extent the county increases the hotel rental tax rate to 8%. County expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: The Garrett County hotel rental tax rate may not exceed 6%. Hotel rental taxes are currently authorized in all counties and Baltimore City, with rates ranging from 4.0% to 9.5% as shown in **Exhibit 1**.

State law requires, after a distribution for specified administrative costs, that hotel rental tax revenues be distributed to the county's general fund. Exceptions to this provision include:

- 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 revenues for administrative expenses and the remaining balance must be used for tourism and general promotion of the county;
- Dorchester County must provide 80% of revenues attributed to hotels located in a municipality to the municipality;
- Frederick County must designate a portion of the hotel rental tax revenue to the Tourism Council of Frederick County and designate a portion to be used for a visitor center;
- Garrett County must designate a portion of revenues for the promotion of the county;
- 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, with the remaining funds targeted for tourism, economic development, culture, and recreational projects; and
- Wicomico County must provide 16.7% of the revenue to the Salisbury Zoological Park, 16.7% to the Wicomico County Youth and Civic Center, and the remainder must be used for the Wicomico County Convention and Visitors Bureau.

Local Fiscal Effect: Garrett County is estimated to collect \$2.4 million in hotel rental tax revenues in fiscal 2019. The current hotel rental tax rate is set at 6%. Increasing the tax rate to 8% will generate approximately \$800,000 in additional revenue for the county's general fund beginning in fiscal 2020.

Exhibit 1
Hotel Rental Tax Revenue

<u>County</u>	<u>County Tax Rates</u>		<u>Revenue FY 2019</u>	<u>Per Capita Revenues</u>	<u>Per Capita Ranking</u>
	<u>FY 2018</u>	<u>FY 2019</u>			
Allegany	8.0%	8.0%	\$1,150,000	\$16	8
Anne Arundel	7.0%	7.0%	13,947,000	24	5
Baltimore City	9.5%	9.5%	34,926,100	57	3
Baltimore	8.0%	8.0%	10,762,000	13	10
Calvert	5.0%	5.0%	750,000	8	19
Caroline	5.0%	5.0%	43,643	1	24
Carroll	5.0%	5.0%	417,570	2	21
Cecil	6.0%	6.0%	204,000	2	23
Charles	5.0%	5.0%	1,324,000	8	18
Dorchester	5.0%	5.0%	347,000	11	14
Frederick	5.0%	5.0%	2,346,000	9	17
Garrett	6.0%	6.0%	2,400,000	82	2
Harford	6.0%	6.0%	2,350,000	9	16
Howard	7.0%	7.0%	5,350,000	17	7
Kent	5.0%	5.0%	84,000	4	20
Montgomery	7.0%	7.0%	22,235,992	21	6
Prince George's	7.0%	7.0%	11,300,000	12	12
Queen Anne's	5.0%	5.0%	614,865	12	13
St. Mary's	5.0%	5.0%	1,150,000	10	15
Somerset	5.0%	5.0%	61,000	2	22
Talbot	4.0%	4.0%	1,250,000	34	4
Washington	6.0%	6.0%	2,100,000	14	9
Wicomico	6.0%	6.0%	1,298,125	13	11
Worcester	4.5%	4.5%	15,100,400	292	1
Total			\$131,511,695	\$22	

Source: Fiscal 2019 County Budgets; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: HB 244 (Garrett County Delegation) - Ways and Means.

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

Fiscal Note History: First Reader - February 3, 2019
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