

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 1395
Ways and Means

(Delegates James and Glass)

Harford County - Hotel Rental Tax

This bill authorizes Harford County to impose a 6% hotel rental tax for transient charges paid to a hotel in a travel corridor in the county. A travel corridor is defined as any portion of Harford County, as specified by the Harford County Council, that is within three miles of an interstate. The hotel rental tax does not apply to a hotel with 25 or fewer sleeping rooms. The county council may provide an exemption for transient charges paid by a nonprofit charitable organization to a hotel to provide temporary shelter for individuals who are in need as a result of misfortune. Hotel rental tax revenues must be distributed to tourism-related activities within the county and municipalities in Harford County.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Harford County revenues may increase by approximately \$3.1 million annually beginning in FY 2014 from the hotel rental tax. Expenditures for tourism-related activities may increase by a commensurate amount.

Small Business Effect: Potential meaningful.

Analysis

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

Background: Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3.0% to 9.5% as shown in **Appendix 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 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;
- 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; 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 \$3.1 million annually beginning in fiscal 2014, to the extent a 6% hotel rental tax rate is imposed. The estimate is based on the following facts and assumptions:

- there are at least 26 hotels, motels, and inns located in travel corridors that could impose the tax;
- these establishments have approximately 2,725 rooms;
- the occupancy rate is 62.4%;
- the average nightly rate per room is \$82; and
- hotels, motels, and inns operate 365 days per year.

The bill authorizes the county to use a reasonable amount of the revenue generated from the hotel rental tax for administrative expenses. The bill requires that hotel rental tax

revenues be distributed to tourism-related activities within the county and municipalities in Harford County. As a result, county expenditures are not directly affected.

Small Business Effect: Hotel operators in Harford County may be negatively impacted by a higher hotel rental tax rate if hotel rental activity shifts to areas outside of the county. In addition, tourism-related businesses in Harford County could benefit from increased funding for county promotions. Administrative expenses for hotels and motels imposing the tax may increase by a minimal amount.

Additional Information

Prior Introductions: HB 584 of 2011, which authorized Harford County to impose a 5% hotel rental tax was withdrawn. HB 664 of 2010 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Harford County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2013
ncs/jrb

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Appendix 1 – Hotel and Motel Tax Revenues

County	County Tax Rates		Revenues FY 2013	Per Capita Revenues	Per Capita Ranking
	FY 2012	FY 2013			
Allegany	8.0%	8.0%	\$925,000	\$12	9
Anne Arundel	7.0%	7.0%	14,200,000	26	4
Baltimore City	9.5%	9.5%	21,970,916	35	3
Baltimore	8.0%	8.0%	8,507,153	11	10
Calvert	5.0%	5.0%	810,000	9	12
Caroline	5.0%	5.0%	28,000	1	22
Carroll	5.0%	5.0%	265,530	2	21
Cecil	3.0%	3.0%	79,700	1	23
Charles	5.0%	5.0%	1,000,000	7	16
Dorchester	5.0%	5.0%	250,000	8	15
Frederick	3.0%	3.0%	1,075,000	5	19
Garrett	5.0%	6.0%	1,900,000	63	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,200,000	14	7
Kent	5.0%	5.0%	101,000	5	18
Montgomery	7.0%	7.0%	19,051,600	19	6
Prince George's	5.0%	5.0%	5,286,700	6	17
Queen Anne's	5.0%	5.0%	420,000	9	13
St. Mary's	5.0%	5.0%	850,000	8	14
Somerset	5.0%	5.0%	55,000	2	20
Talbot	4.0%	4.0%	975,000	26	5
Washington	6.0%	6.0%	2,073,700	14	8
Wicomico	6.0%	6.0%	1,005,084	10	11
Worcester	4.5%	4.5%	11,250,000	218	1
Total			\$96,279,383	\$17	

Source: Fiscal 2013 County Budgets; Department of Legislative Services