

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 323
Ways and Means

(Frederick County Delegation)

Budget and Taxation

Frederick County - Hotel Rental Tax - Transient Charge

This bill redefines a transient charge in Frederick County to mean a hotel charge for sleeping accommodations of up to 90 days.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Frederick County hotel rental tax revenues increase by approximately \$140,000 per year, of which approximately \$136,800 is dedicated to the Tourism Council of Frederick County and for debt service for the Frederick County Visitor Center.

Small Business Effect: Potential meaningful.

Analysis

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

In Frederick, Garrett, and Washington counties, a transient charge means a hotel charge for sleeping accommodations for up to 30 days; in Carroll County, a transient charge means a hotel charge for sleeping accommodations for up to 25 days.

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 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 a portion to the county commissioners 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; 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: The bill alters the definition of transient charge to impose the Frederick County hotel rental tax on hotel stays of up to 90 days, instead of the current 30-day limit.

Based on current hotel rental tax revenues, as well as current and estimated hotel stays in excess of 30 days, Frederick County estimates that hotel rental tax revenues will increase by approximately \$140,000 annually beginning in fiscal 2015. Frederick County is authorized to keep a reasonable sum for administrative costs; the remaining balance is distributed to the Tourism Council of Frederick County, with a portion of the balance designated by the county commissioners to be used for debt service costs for the

Frederick County Visitors Center. Based on the estimate above, Frederick County will retain approximately \$3,200 annually for administrative costs, and the Tourism Council of Frederick County will realize an additional \$136,800 annually.

Small Business Effect: Hotel operators in Frederick County may be negatively impacted due to the imposition of the county hotel rental tax on hotel stays of more than 30 days if hotel rental activity shifts to areas outside of the county.

Additional Information

Prior Introductions: None.

Cross File: SB 613 (Senators Brinkley and Young) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 3, 2014
mc/jrb

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**Appendix 1
Hotel Rental Tax Revenues**

County	County Tax Rates		FY 2014 Budget	Per Capita Revenues	Per Capita Ranking
	FY 2013	FY 2014			
Allegany	8.0%	8.0%	\$948,125	\$13	9
Anne Arundel	7.0%	7.0%	13,670,000	25	5
Baltimore City	9.5%	9.5%	28,497,000	46	3
Baltimore	8.0%	8.0%	8,850,000	11	10
Calvert	5.0%	5.0%	810,000	9	13
Caroline	5.0%	5.0%	45,000	1	22
Carroll	5.0%	5.0%	290,720	2	21
Cecil	3.0%	3.0%	75,000	1	23
Charles	5.0%	5.0%	1,067,000	7	16
Dorchester	5.0%	5.0%	330,000	10	12
Frederick	3.0%	3.0%	1,204,000	5	19
Garrett	6.0%	6.0%	1,900,000	64	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,200,000	14	7
Kent	5.0%	5.0%	118,500	6	18
Montgomery	7.0%	7.0%	17,752,800	18	6
Prince George's	5.0%	5.0%	5,481,200	6	17
Queen Anne's	5.0%	5.0%	435,000	9	14
St. Mary's	5.0%	5.0%	850,000	8	15
Somerset	5.0%	5.0%	55,000	2	20
Talbot	4.0%	4.0%	1,250,000	33	4
Washington	6.0%	6.0%	2,000,000	13	8
Wicomico	6.0%	6.0%	1,047,289	10	11
Worcester	4.5%	4.5%	11,250,000	218	1
Total			\$102,126,634	\$17	

Source: Fiscal 2014 county budgets; Department of Legislative Services