

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 466
Budget and Taxation

(Senator Hough)

Frederick County - Hotel Rental Tax - Rate

This bill reduces the maximum hotel rental tax rate that may be imposed in Frederick County from 5% to 3%.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: No immediate effect on Frederick County hotel rental tax revenues as the current hotel rental tax rate is 3%. However, the bill would prohibit the county from raising its rate in the future to generate additional revenue for the Tourism Council and visitor center.

Small Business Effect: None.

Analysis

Current Law/Background: Frederick County's hotel rental tax rate may not exceed 5%. Frederick County's hotel rental tax rate is currently 3% and has been set at that rate since fiscal 2005.

Hotel rental taxes are currently authorized in all counties and Baltimore City, with rates ranging from 3.0% to 9.5% as shown in **Exhibit 1**.

Exhibit 1
Hotel Rental Tax Revenue

County	County Tax Rates			Per Capita Revenues	Per Capita Ranking
	FY 2015	FY 2016	FY 2016		
Allegany	8.0%	8.0%	\$1,024,345	\$14	9
Anne Arundel	7.0%	7.0%	14,532,000	26	5
Baltimore City	9.5%	9.5%	32,031,151	51	3
Baltimore	8.0%	8.0%	9,750,000	12	10
Calvert	5.0%	5.0%	800,000	9	15
Caroline	5.0%	5.0%	40,000	1	23
Carroll	5.0%	5.0%	351,200	2	22
Cecil	3.0%	3.0%	91,536	1	24
Charles	5.0%	5.0%	949,000	6	19
Dorchester	5.0%	5.0%	300,000	9	13
Frederick	3.0%	3.0%	1,331,506	5	20
Garrett	6.0%	6.0%	2,100,000	71	2
Harford	6.0%	6.0%	2,000,000	8	16
Howard	7.0%	7.0%	4,976,000	16	7
Kent	5.0%	5.0%	129,000	7	18
Montgomery	7.0%	7.0%	20,339,825	20	6
Prince George's	5.0%	7.0%	7,989,500	9	14
Queen Anne's	5.0%	5.0%	520,000	11	12
St. Mary's	5.0%	5.0%	725,000	7	17
Somerset	5.0%	5.0%	55,000	2	21
Talbot	4.0%	4.0%	1,200,000	32	4
Washington	6.0%	6.0%	2,350,000	16	8
Wicomico	6.0%	6.0%	1,168,600	12	11
Worcester	4.5%	4.5%	13,015,083	252	1
Total			\$117,768,746	\$20	

Source: FY 2016 County Budgets; Department of Legislative Services

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 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; 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.

Frederick County is estimated to collect \$1.3 million in hotel rental tax revenues in fiscal 2016.

Local Fiscal Effect: No immediate effect on Frederick County hotel rental tax revenues as the current hotel rental tax rate is 3%. However, the bill would prohibit the county from raising its rate in the future to generate additional revenue for the Tourism Council and visitor center. Based on current hotel rental tax revenue estimates, a hotel rental tax rate increase of 1% could generate approximately \$443,800 in additional revenue.

Additional Information

Prior Introductions: None.

Cross File: HB 601 (Frederick County Delegation) - Ways and Means.

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

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mel/jrb

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