

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1030
Ways and Means

(Delegate Anderson)

Budget and Taxation

Baltimore City - Hotel Room Tax - Convention Center Promotion and
Operations

This bill extends until July 1, 2022, the requirement that Baltimore City appropriate at least 40% of hotel room tax proceeds to Visit Baltimore for convention center marketing and tourism promotion and also authorizes the proceeds to be used for convention center operations.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City's mandatory expenditures for convention center marketing, operations, and tourism promotion will continue through FY 2022.

Small Business Effect: Minimal.

Analysis

Current Law: Baltimore City must appropriate, from the city's general fund, an amount equal to at least 40% of the proceeds of the hotel room tax for convention center marketing and tourism promotion. Hotel tax revenues are also used for debt service for the expansion of the Baltimore Convention Center. Any remaining funds after these distributions go to the city's general fund. The current Baltimore City hotel room tax is 9.5%.

Background: Chapter 197 of 2012 extended until July 1, 2017, the requirement that Baltimore City appropriate at least 40% of hotel room tax proceeds to Visit Baltimore. Chapter 151 of 2007 extended until July 1, 2012, the requirement that Baltimore City

appropriate at least 40% of hotel room tax proceeds to convention center marketing and tourism promotion and specified that this appropriation be made to the Baltimore Area Convention and Visitors Association. Chapter 151 also repealed an obsolete provision of law that limited the Baltimore City hotel room tax rate from exceeding 7.5%. Chapter 665 of 1996 limited the hotel room tax in Baltimore City to 7.5% for fiscal 1997 only. Chapters 611 and 612 of 1997 extended this limitation for five years and required Baltimore City to appropriate at least 40% of the tax proceeds for convention center marketing and tourism promotional activities. Chapter 387 of 2001 extended this requirement until July 1, 2007.

Visit Baltimore is a nonprofit organization that provides a positive economic impact for Baltimore City by attracting trade conventions and group/leisure visitors through destination sales and marketing efforts for various stakeholders, including hotels, restaurants, attractions, and the city government.

Local Fiscal Effect: Baltimore City’s hotel room tax rate of 9.5% is expected to generate \$33.0 million in fiscal 2017, with approximately \$13.5 million being distributed to Visit Baltimore. In some years an adjustment is made to the amount of revenue distributed to Visit Baltimore based on actual collections two years prior so that Visit Baltimore receives its required 40% distribution.

Exhibit 1
Distribution of Baltimore City Hotel Tax Revenues
Fiscal 2007-2017

<u>Fiscal Year</u>	<u>Hotel Tax Revenue</u>	<u>Debt Service</u>	<u>City Government</u>	<u>Visit Baltimore</u>
2007	\$20,499,095	\$4,642,466	\$7,348,777	\$8,507,852
2008	21,711,542	4,516,290	7,845,268	9,349,985
2009	20,660,154	4,463,061	7,135,055	9,062,038
2010	19,037,753	4,344,317	6,467,219	8,226,217
2011	27,149,826	4,654,131	13,141,233	9,354,462
2012	32,559,735	4,654,771	11,120,615	9,894,021
2013	30,478,932	4,546,581	14,380,021	11,552,330
2014	31,304,748	4,559,888	13,583,381	13,161,479
2015	32,666,250	4,987,956	13,391,879	14,286,415
2016*	34,147,258	4,516,761	15,676,398	13,954,099
2017**	33,000,000	4,580,088	14,953,812	13,466,100

*Unaudited

**Estimated

Source: Baltimore City

Additional Information

Prior Introductions: None.

Cross File: SB 846 (Senator Conway)(By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Baltimore City; Department of Legislative Services

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