

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 466

(Senator King, *et al.*)

Budget and Taxation

Ways and Means

---

Hotel Rental Tax - Limitation of Municipal Authority to Tax Small Hotels -  
Repeal

---

This bill repeals a prohibition on the authority of specified municipalities to impose a hotel rental tax on hotels with 10 or fewer sleeping rooms. **The bill takes effect July 1, 2019.**

---

Fiscal Summary

**State Effect:** None.

**Local Effect:** Hotel rental tax revenues for municipalities in Montgomery and Somerset counties may increase to the extent that hotel rental taxes are imposed on specified small hotels. Municipal expenditures are not affected.

**Small Business Effect:** Minimal.

---

Analysis

**Current Law:** Chapter 149 of 2008 authorized municipalities to impose a maximum 2% hotel rental tax. However, a municipality in a county that has a hotel rental tax revenue sharing arrangement between the municipality and the county may not impose a hotel rental tax. Also, a municipality may not impose a hotel rental tax if the hotel has 10 or fewer sleeping rooms or the municipality is located in a county that distributes at least 50% of total county hotel rental tax revenues to promote tourism in the county or does not impose a tax on a transient charge paid to a hotel.

If an eligible municipality imposes the tax, the county may impose a hotel rental tax within the municipality that is lower than the rate imposed outside the municipality. Also, if a

municipality imposes a hotel rental tax, it must distribute the same percentage of hotel rental tax revenues to the county convention and visitors bureau as is distributed from the county hotel rental tax.

**Background:** 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:** The bill applies to municipalities in Montgomery and Somerset counties which are the only two counties that impose a hotel rental tax and do not have revenue sharing agreements with municipalities or dedicate at least 50% of hotel rental tax revenues to promoting tourism. The Maryland Municipal League advises that hotel rental tax revenues in Gaithersburg, Rockville, Crisfield, and Princess Anne will increase to the extent that these jurisdictions impose a hotel rental tax on hotels with 10 or fewer sleeping rooms. The amount of the hotel rental tax revenue increase depends on the

number of small hotels in each municipality that will be subject to the tax and the amount of the tax collected from each small hotel. The maximum municipal hotel rental tax rate cannot exceed 2%. Both Gaithersburg and Rockville advise that there are currently no small hotels in either jurisdiction that would be subject to municipal hotel rental taxes.

Based on data from the Uniform Financial Reports and city budgets for fiscal 2017, Gaithersburg collected approximately \$1.2 million in hotel rental tax revenue, Rockville collected approximately \$1.0 million in hotel rental tax revenue, and Crisfield collected approximately \$4,950 in hotel rental tax revenue. Princess Anne collected no hotel rental tax revenue in fiscal 2017.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 285 (Delegate Palakovich Carr, *et al.*) - Ways and Means.

**Information Source(s):** Cities of Gaithersburg, Rockville, and Havre de Grace; Maryland Municipal League; Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2019  
mag/hlb Third Reader - March 15, 2019

---

Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

**Exhibit 1**  
**Hotel Rental Tax Revenue**

| <b>County</b>   | <b>County Tax Rates</b> |                | <b>Revenue<br/>FY 2019</b> | <b>Per<br/>Capita<br/>Revenues</b> | <b>Per<br/>Capita<br/>Ranking</b> |
|-----------------|-------------------------|----------------|----------------------------|------------------------------------|-----------------------------------|
|                 | <b>FY 2018</b>          | <b>FY 2019</b> |                            |                                    |                                   |
| 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                                 |
| <b>Total</b>    |                         |                | <b>\$131,511,695</b>       | <b>\$22</b>                        |                                   |

Source: Fiscal 2019 County Budgets; Department of Legislative Services