

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 186
Ways and Means

(Delegate Hartman)

Budget and Taxation

Eastern Shore Code Counties - Maximum Hotel Rental Tax Rate - Alteration

This bill authorizes code counties on the Eastern Shore to set a hotel rental tax rate up to 6%. Under current law, the hotel rental tax rate for these counties is capped at 5%. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: None.

Local Effect: County revenues increase by approximately \$501,000 annually for the four affected counties on the Eastern Shore and municipal revenues increase by approximately \$5.4 million annually. This estimate assumes that the maximum authorized hotel rental tax rate is imposed in each jurisdiction. Expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: There are six counties that operate under code home rule: Allegany, Caroline, Charles, Kent, Queen Anne’s, and Worcester. Four of these jurisdictions are located on the Eastern Shore. As shown in **Exhibit 1**, all four code home rule counties on the Eastern Shore have a hotel rental tax rate of 5% for fiscal 2024. Code counties on the Eastern Shore are required to collect and distribute the revenues attributable to a hotel located in a municipality to the municipal government.

Collection of Hotel Rental Taxes in Maryland

Hotel rental taxes are imposed in all counties in Maryland. In several jurisdictions, revenues collected from the hotel rental tax are shared with municipalities and community organizations. A few municipalities are also authorized to impose a hotel rental tax or to collect the county tax within their jurisdiction. In fiscal 2024, county governments will collect \$123.8 million in revenue from the hotel rental tax.

Additional information on local hotel rental tax rates and revenues can be found in the [County Revenue Outlook Report – Fiscal 2024](#). A copy of the report is available on the Department of Legislative Services website.

Local Fiscal Effect: Increasing the maximum hotel rental tax rate that certain county governments on the Eastern Shore can impose will result in additional county and municipal revenues.

If the four county governments on the Eastern Shore (with the code home rule form of government) increase their hotel rental tax rates to 6%, county revenues will increase by approximately \$501,000 each year, as shown in **Exhibit 1**. This estimate is based on estimated revenue collections as reported in each county’s fiscal 2024 budget.

Exhibit 1 Hotel Rental Tax Rates and County Revenues

<u>County</u>	<u>Current Tax Rate</u>	<u>FY 2024 Revenue</u>	<u>New Tax Rate</u>	<u>Additional Revenue</u>
Caroline	5.0%	\$0	6.0%	\$0
Kent	5.0%	120,000	6.0%	24,000
Queen Anne’s	5.0%	885,000	6.0%	177,000
Worcester	5.0%	1,500,000	6.0%	300,000
Total		\$2,505,000		\$501,000

Source: County Budgets; Department of Legislative Services

Along with the increase in county revenues, municipalities in the affected jurisdictions will also realize an increase in local revenues from the hotel rental tax.

Caroline County is projected to collect approximately \$44,000 in hotel rental tax revenues for its municipalities in fiscal 2024. Assuming the maximum tax rate is imposed, municipal revenues could increase by approximately \$8,800 annually.

Rock Hall in Kent County reported hotel rental tax revenues totaling \$50,167 in fiscal 2021. Assuming the maximum tax rate is imposed, municipal revenues could increase by approximately \$10,000 annually.

Worcester County collected \$27.1 million in hotel rental tax revenues for its municipalities in fiscal 2023. Of this amount, \$26.9 million was collected within Ocean City. Assuming the maximum tax rate is imposed, municipal revenues could increase by approximately \$5.4 million annually as shown in **Exhibit 2**.

Exhibit 2
Potential Increase in Municipal Revenues
Worcester County

<u>Municipality</u>	<u>FY 2023</u> <u>Actual Revenue</u>	<u>Potential Increase</u>
Berlin	\$89,674	\$17,935
Ocean City	26,875,539	5,375,108
Pocomoke City	154,089	30,818
Snow Hill	10,338	2,068
Total	\$27,129,640	\$5,425,928

Note: Numbers may not sum to total due to rounding.

Source: Worcester County; Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 612 and HB 931 of 2023.

Designated Cross File: SB 95 (Senator Carozza) - Budget and Taxation.

Information Source(s): Caroline, Kent, Queen Anne’s, and Worcester counties; Comptroller’s Office; Department of Legislative Services

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