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February 9, 2011

**TO: Honorable President Young and Members of the Baltimore City Council**  
**Attention: Karen Randle, Executive Secretary**  
**FR: Visit Baltimore**  
**RE: 11-0640 Hotel Room Tax Penalty**

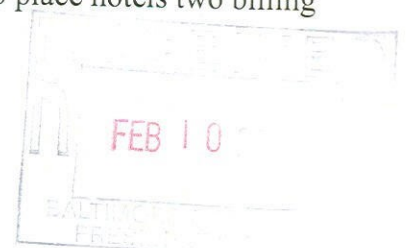
**Hotel Room Tax - Penalty**  
**Visit Baltimore Response to the Above-Referenced Bill:**

Visit Baltimore has been asked to comment on City Council Bill 11-0640, an ordinance that would reduce the penalty due for failing to collect, to make a proper return of, or to pay over to the Director of Finance, the hotel room tax, and generally relating to the imposition and enforcement of the hotel room tax. The bill proposed reducing the penalty from 100 percent to 10 percent.

As the Baltimore region's tourism marketing leader, Visit Baltimore is responsible for promoting the destination to overnight leisure visitors, day-trippers, conventions, meetings, group tours and family reunions. Visit Baltimore's main source of funding is based on the city's hotel tax collection, and its prompt and timely collection directly affects our ability to promote and market the city. If hotels are only penalized 10 percent for failing to pay their hotel taxes, this could prompt larger hotel corporations and hotels struggling to make it to push back their payment by months, as 10 percent would be seen as a drop in the bucket when compared to the 100 percent penalty now in place.

Additionally, according to the current law, hotel properties have a 25-day grace period in which to pay their hotel taxes, therefore giving them 26 days to get their payment in after the due date before any penalties are imposed. If this is seen as too stringent a grace period, Visit Baltimore would agree that a compromise of perhaps a 45-day grace period would better suit the hotel community. Or perhaps a tiered penalty percentage system could be implemented based on the lateness of payment. For example, late payments received after the initial 25-day grace period would incur only a 10 percent penalty but anything over 45 days would incur a penalty of 100 percent. Lengthening the grace period or staggering the penalty structure would demonstrate that the City Council is willing to be flexible in meeting the hotel community's requests but still ready and willing to impose a serious penalty for failure to pay, or for late payment in excess of that 45-day window.

Potential disadvantages in changing the grace period could include the strong possibility of ongoing complaints from late submitters on the 46<sup>th</sup> day. It could also place hotels two billing cycles behind on their payments.





For the reasons referenced above, Visit Baltimore opposes reducing the penalty from 100 percent to 10 percent but would agree to a longer grace period before the penalty is imposed or a tiered system for enforcing the penalty. For the bottom line impact to the City's budget, we defer to the Director of Finance and that department's lead with regards to the potential impact reducing the penalty could have on the City's general funds.

Sincerely,

A handwritten signature in black ink that reads "Tom Noonan". The signature is written in a cursive style with a long horizontal line extending to the right.

Tom Noonan  
President & CEO  
Visit Baltimore

cc: Kaliopé Parthemos  
Angela Gibson