



## **HB 1306 – Admissions and Amusement Tax – Food and Beverages**

### **Ways and Means Committee**

**February 27, 2024**

**Position: Unfavorable**

On behalf of Mid-Atlantic NATO, a regional affiliate of the National Association of Theatre Owners (NATO), representing movie theatres throughout Maryland, we respectfully submit these written comments in opposition to HB 1306.

#### **Movie theatres were devastated by the pandemic and more recently by Hollywood’s labor strikes.**

Despite slight gains in attendance numbers from when theatres were shuttered due to the pandemic, 2023 box office admissions in Maryland remain 23.2% lower than they were in 2019. It will likely take years for Maryland theatres to recover their pandemic related losses and the Hollywood labor strikes have only further compounded the issue by limiting new product in 2024. To the extent applicable to movie theatres, introduction of additional taxes on food and beverage sales, as outlined in HB 1306, would further negatively impact theater attendance as theatres struggle to remain economically viable and available to the average consumer.

#### **Maryland movie theatres, and our customers, are struggling in the current economy.**

The impact of rising operating costs has already impacted consumer access to movie theatres and adding additional cost in the form of taxes will further erode such access. In the last twelve months two large theatre operators closed four significant Maryland locations and since the pandemic numerous other smaller operators left Maryland including ArLight Cinemas, Bow Tie Cinemas, CMX/CinéBistro, New Vision Theatres, and Northeast/Hoyts Cinema. The start of 2024 has already been the worst for Maryland’s movie theatres in recent years, and theatre film supply continues to be affected by Hollywood’s recent labor strikes.

#### **Movie theatres operate on slim margins, only retain a small portion of the income generated at the box office, and are highly dependent on concession sales revenue.**

In any given week, the lion’s share of the box office is paid directly to the film studios as “film rental.” In response to a food and beverage tax increase, theatres would be forced to raise ticket prices as well as concession prices to offset lost sales. Higher ticket and concession prices have proven over the years to directly negatively impact both attendance and, more dramatically, food and beverage sales.

#### **Going to the movies is the most affordable form of out-of-home entertainment, drawing substantial numbers of fixed-and lower-income people, including senior citizens.**

Increasing taxes is highly regressive and could put the cost of movie going out of reach for those least able to pay more. In addition, these added taxes could eliminate an affordable and much needed recreational outlet for families and teenagers.



**The motion picture industry confronts competition from more sources than ever before.** The availability of in-home streaming content provides consumers with a wide range of entertainment options. In today's economy, consumers are very mindful of the value proposition of competing entertainment and spending their own limited resources. Increasing the cost of in-theatre entertainment, such as would result for additional taxes, will certainly lead consumers to consider cheaper forms of entertainment and impact theatre attendance.

**Maryland's proposed admissions tax on food and beverages would be an outlier as policymakers are focused on policies that encourage families and citizens to support local businesses.** To our knowledge, no other state nor county has implemented an admissions tax on food and beverages in recent years, and in fact, the State of Connecticut repealed its decades old admissions tax on movie theatres effective January 1, 2023. While the theatres want to be good community partners, government leaders have recognized that taxing movie-goers would create a ripple effect in the local economy, causing a decline in retail and restaurant traffic for neighboring businesses when patronage generated by the theatre disappears. In locations where cinemas are the anchor tenants for retail centers, a closed theatre makes it difficult for commercial landlords to garner other tenants especially in this challenging business environment.

**The cinema industry is a leader in employing young first-time job holders, as well as individuals with disabilities and elderly persons—workforce demographics that generally have difficulty finding employment.** Cinemas forced to cut costs in the face of an admissions – food and beverage tax increase, with its negative effect on attendance and concession sales, would have no other option than to lay off workers and cut jobs for senior citizens and teenagers.

**For these reasons, we ask you to give an unfavorable report on House Bill 1306, or exempt movie theatres accordingly.**

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