



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Admissions and Amusement Tax - Food and Beverages (HB 997) - 2025

Testimony of Delegate Ryan Spiegel – Favorable

Hon. Chair Atterbeary, Vice Chair Wilkins, and Members of the Committee:

HB 997 modifies the existing admissions and amusement (“A&A”) tax to allow local governments to adopt a tax on food and beverages consumed onsite up to a maximum of 3 percent.

To be clear, this would not apply to any retail purchases of food and beverages that are not consumed onsite. It does not apply to groceries, or carryout purchases of beer and wine, or grab-and-go food purchases at convenience stores.

As we face major deficits, the State is pushing more and more unfunded mandates onto local governments, from teacher pensions to property assessment and even potentially more of the costs of the Blueprint educational reforms. Yet, local governments’ authority to generate revenue remains very limited.

Local governments do not receive any of the state sales tax collections, and many counties are maxed out on piggyback income taxes. Property taxes are already stretched by high housing values and resident pressure against raising property taxes further. With federal freezes, firings, and funding cuts undoubtedly set to impact local governments and local economies—and with limits on the State’s ability to provide additional help—counties and municipalities need additional ways to generate needed resources.

HB 997 provides a limited additional option to give local governments more tools in the toolbox to address the needs of their communities, by providing them with the ability to retain some of the revenue generated by entertainment activities in their own jurisdictions, without taking away from the State’s sales tax revenue.

This bill is a top priority for MACO, MML, and Baltimore City. With Baltimore facing a \$100 million deficit next year, this has the potential to raise up to \$75 million for the City.

Also, a prior Fiscal Note for this bill was incorrect. DLS is preparing an updated Fiscal Note that will show there is *no cost* to implement this bill, because existing law allows

the Comptroller to charge an administrative fee paid from the revenues collected to cover the cost of administering the collection and distribution of these revenues.

Importantly, this is enabling legislation only. For those local governments that do not wish to pursue this additional revenue, they do not have to. Local elected officials will remain accountable to the residents and businesses in their own localities if they undertake a process to consider adopting an A&A tax on food and beverages. Moreover, the 3% amount is a ceiling, not a set amount. Localities may opt for a lower rate.

Maryland has 43.5 million visitors annually. They use our roads, infrastructure, and other public services but pay nothing in local property or income taxes to cover the costs of that impact at the local level. And the sales tax they pay all goes to the State. While there are legitimate concerns about the impacts of rising costs for Maryland families, and while sales taxes can be regressive, the benefit of this local A&A tax on food and beverages is that it helps ease the overall tax burden on our own residents by spreading it to the millions of visitors who come to our cities and counties. And it does not apply to staple purchases like groceries.

Contrary to concerns expressed by some, this would not hurt the competitiveness of Maryland's restaurants and bars. Our neighboring states already have similar local taxes and fees in place, and 45 other states and the District of Columbia either share sales tax with localities or provide for a local sales tax or local food and beverage taxing authority.

Recent field research shows the same meal – a hamburger and a beer – ordered on the same day at three locations of the Cheesecake Factory restaurant chain (one in Bethesda, one in Arlington, VA, and one in D.C.).

Location	Sub Total	Sales Tax + Food & Bev	Total
Washington, D.C.	\$26.95	10% = \$2.70	\$29.65
Arlington, VA	\$25.95	6% sales + 4% local F&B = \$2.60	\$28.55
Bethesda, MD	\$25.95	6% food + 9% alcohol = \$1.83	\$27.78

The cost of the food and beverage were very similar (though the burger was slightly more in D.C.). When sales tax, alcohol tax, and local food and beverage fees were applied, the meal was cheapest in Maryland. And even if a 3% A&A tax were to be added to the Maryland bill, it would equal the Arlington bill. And the cost is passed on directly to the customer, so there is no significant additional expense for restaurants and bars. It will not put Maryland at an economic disadvantage to allow this.

Indeed, thousands of visitors from Delaware, which has no sales tax, still make the trip into Maryland to spend their dollars at restaurants and bars. In Chesapeake City, with a population of only 700, approximately 15,000 people from Delaware visit every weekend. It seems unlikely they'd stop eating and drinking at its restaurants if a small fee were added. Indeed, many restaurants in Washington, D.C. are also now adding a so-called "service fee" of up to 20%. This is apart from any tips.

Nor is this concept of local A&A tax "unprecedented" in Maryland, despite what some might say. Ocean City already has a special dispensation to impose an A&A tax on food and beverages, and there does not appear to be any issue with the amount of food and beverages purchased for onsite consumption there. So this bill does not threaten the State's claim to sales taxes and other revenues.

Ocean City is also a great example of local deliberations, flexibility, and accountability with respect to the range and the ceiling of such a tax. Ocean City is authorized to go up to 1% but chose to adopt only a 0.5% A&A tax on food and beverages.

Concerns about so-called "stacking," whereby a county opts to apply an A&A tax on food and beverages, and then a municipality within that county also adopts its own tax, are also unwarranted. We already know from existing A&A taxes that it doesn't work that way. We already have A&A taxes in place on movie theaters, fairs, and other entertainment activities in local jurisdictions—and when the tax applies in a municipality, it does not "stack" with an additional charge from the county. If a city adopts an A&A tax on food and beverages, only that amount will apply within the city's boundaries. If the county also implements one, it will only apply to the areas of the county outside the city.

It is time to give counties and municipalities another tool to weather the challenges we all face. This is a targeted and sensible way to help them generate much-needed additional resources without impinging on the purview of the State.

I respectfully urge a favorable report on HB 997. Thank you.