

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 14

(Senator Jackson)

Budget and Taxation

Ways and Means

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Economic Development - Tourism Zones - Designation and Benefits

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This bill authorizes Baltimore City, counties, and municipalities in the State to (1) designate specified tourism zones; (2) exempt the gross receipts from any admissions or amusement charge levied by a qualifying tourism enterprise in a tourism zone from admissions and amusement taxes; and (3) grant property tax credits against county and municipal real and personal property taxes to qualifying tourism enterprises located in a tourism zone. **The bill takes effect June 1, 2024; the real and personal property tax credits apply to taxable years beginning after June 30, 2024.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Baltimore City, county, and municipal property tax and admissions and amusement tax revenues may decrease beginning in FY 2025, to the extent tourism zones are designated and property tax credits and admissions and amusement tax exemptions are granted. Expenditures are not affected.

**Small Business Effect:** Meaningful. Small businesses located in a designated tourism zone will benefit from reduced admissions and amusement taxes and real and personal property taxes.

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Analysis

**Bill Summary:** The bill authorizes Baltimore City, counties, and municipalities to designate, by law, an area within the jurisdiction as a tourism zone. Baltimore City, counties, and municipalities may provide, by law, for (1) the duration of the designation

and (2) eligibility criteria to qualify as a qualifying tourism enterprise. The designation of an area as a tourism zone does not preclude the area from also being designated as a specified arts and entertainment district.

By July 1 preceding the effective date of its establishment, the local jurisdiction must notify the Comptroller that a tourism district is established. A local jurisdiction that establishes a tourism zone must notify the Comptroller of (1) any qualifying tourism enterprises to which the exemption from the admissions and amusement tax applies; (2) the date on which the qualifying tourism enterprise qualified for the exemption; and (3) the date, if any, on which the exemption for the qualifying tourism enterprise expires.

#### *Admissions and Amusement Tax Exemption*

Baltimore City, a county, or a municipality are authorized to exempt the gross receipts from any admissions or amusement charge levied by a qualifying tourism enterprise in a tourism zone from the admissions and amusement tax. The exemption does not apply to the State admissions and amusement tax.

#### *Real and Personal Property Tax Credits*

Baltimore City, a county, or a municipality may grant, by law, a property tax credit against the county or municipal property tax imposed on a building that is (1) located in a tourism zone and (2) owned by a qualifying tourism enterprise.

Baltimore City, a county, or a municipality may grant, by law, a property tax credit against the county or municipal property tax imposed on personal property of a qualifying tourism enterprise that is located within a tourism zone.

Baltimore City, a county, or a municipality may provide, by law, for (1) the amount and duration of the property tax credits; (2) additional eligibility criteria for the property tax credits; (3) regulations and procedures for the application and uniform processing of requests for the property tax credits; and (4) any other provision necessary to carry out the property tax credits.

#### *Definitions*

A qualifying tourism enterprise is defined as a for-profit or nonprofit entity that conducts business within a tourism zone, subject to the limitations specified by the local jurisdiction within which the tourism zone is located.

A tourism zone is defined as a developed zone of public and private uses that is designated by a local jurisdiction for the development of travel and tourism and located within that jurisdiction.

**Current Law:** An arts and entertainment district is a developed district of public and private uses that (1) is distinguished by physical and cultural resources that play a vital role in community development and contribute to the public through interpretive, educational, and recreational uses and (2) ranges in size from a portion of a political subdivision to a regional district with a special coherence. Upon application from an eligible local government, the Secretary of Commerce may designate an area as an arts and entertainment district only if the area is a contiguous geographic area that is wholly within a priority funding area or a qualified opportunity zone.

A “qualifying residing artist” means an individual who (1) owns or rents residential real property in the State; (2) conducts a business in any arts and entertainment district; and (3) derives income from the sale or performance within any arts and entertainment district of an artistic work that the individual wrote, composed, executed, either alone or with others, in any arts and entertainment district.

Several tax benefits are available in arts and entertainment districts:

- qualifying residing artists may claim a subtraction modification on State and local income taxes for the income derived within any district from the publication, production, or sale of artistic work created, written, composed, or executed by the qualifying artist;
- a county or municipality may grant, by law, a property tax credit for up to 10 years against the property tax imposed on a manufacturing, commercial, or industrial building that is located in an arts and entertainment district and is wholly or partially renovated to be capable for use by a qualifying artist or an arts and entertainment enterprise; and
- a county or municipality may exempt from the admissions and amusement tax gross receipts from any admissions or amusement charge levied by an arts and entertainment enterprise or qualified residing artist in an arts and entertainment district.

**Local Fiscal Effect:** Baltimore City, county, and municipal property tax and admissions and amusement tax revenues may decrease beginning in fiscal 2025, to the extent tourism zones are designated and the property tax credits and admissions and amusement tax exemptions are granted. The amount of the revenue decrease will depend on (1) the value of real and personal property subject to each credit; (2) the gross receipts of businesses located in a tourism zone; and (3) local property tax and admissions and amusement tax rates.

Baltimore City advises that, to the extent the property tax credits and admissions and amusement tax exemption are granted, city revenues may decrease by approximately \$6.4 million annually. The estimate is based on the value of commercial property located in the neighborhoods of the Inner Harbor, Harbor East, Harbor Point, Key Highway, Downtown, Downtown West, and Baltimore Peninsula as well as gross receipts from various sporting events, concerts, horse racing, and boat tours in the Inner Harbor.

Additional information on local 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.

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### Additional Information

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 1281 (Delegate Hartman, *et al.*) - Ways and Means.

**Information Source(s):** Baltimore City; Prince George’s County; City of Havre de Grace; Maryland Association of Counties; Maryland Municipal League; Department of Commerce; Comptroller’s Office; State Department of Assessments and Taxation; Department of Legislative Services

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