

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 652 (Delegate Gordon, et al.)
Ways and Means

Admissions and Amusement Tax and Sales and Use Tax - Permanent Seat Licenses

This bill applies the admissions and amusement tax and the sales and use tax to the sale of a permanent seat license at a professional sports stadium.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: General fund revenues could increase by \$800,000 in FY 1997 from the imposition of the sales and use tax. Stadium Authority revenues could also increase by \$800,000 in FY 1997 from the imposition of a 5% admission and amusement tax. Future year revenues cannot be reliably determined at this time, due to the uncertainty of the resale mechanism for permanent seat licenses.

Local Effect: None.

Fiscal Analysis

State Revenues: This bill would subject the sale of permanent seat licenses to the 5% State sales and use tax. It also would allow the Stadium Authority to levy a 5% admission and amusement tax on the sale of the licenses. When sales are subject to both taxes the combined rate cannot be higher than 10%. The estimate below assumes that the Stadium Authority would opt to impose the admission and amusement tax at the maximum allowable rate of 5%.

At present, Baltimore's new football club anticipates selling \$80 million of permanent seat licenses for the new football stadium in Baltimore City. The sale of these licenses is expected to be completed within six months of final approval of the project by the Board of Public Works and the General Assembly. Assuming approval is accomplished by the end of

March, all seat licenses should be sold by October 1996.

If all the seat licenses are sold after July 1, 1996, the State would collect \$4 million in sales and use taxes which would be deposited in the general fund and \$4 million in admissions and amusement taxes which would be remitted to the Stadium Authority in fiscal 1997. However, since this bill is not effective until July 1, 1996, it is likely that up to 80% of the seat licenses would be sold before the effective date, thus allowing purchasers to avoid the two taxes. Accordingly, if 20% of the seat licenses are sold after the effective date of the bill, the State would collect approximately \$800,000 of sales and use taxes and \$800,000 in admission and amusement taxes for the Stadium Authority in fiscal 1997.

The Redskins football club, which is planning to build a new stadium in Prince George's County, has not announced plans to sell permanent seat licenses. To the extent that seat licenses are sold, sales and use tax and admission and amusement tax revenues resulting from this bill could be substantially higher.

At this point it is unclear how the resale of permanent seat licenses will be structured. To the extent that subsequent sales are taxable, sales and use tax and admission and amusement tax revenue could increase by an indeterminate amount in future years. However, the Office of the Comptroller advises that subsequent sales of seat licenses would likely be exempt from sales and use tax under current exemptions for "casual and isolated" sales of tangible personal property. Depending upon the sales mechanism, admissions and amusement taxes also may be avoided on subsequent sales.

Information Source(s): Office of the Comptroller (Compliance Division), Maryland Stadium Authority, Baltimore City, Department of Fiscal Services

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