

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 345 (Delegate Dembrow)
Ways and Means

Income Tax - Gain on Relocation of Professional Sports Franchise to Maryland

This bill requires that any increase in the fair market value of a professional sports franchise attributable to the relocation of the franchise to Maryland from another state be added to the federal adjusted gross income of a taxpayer for corporate and individual income tax purposes. Any increase in value attributable to the owner's additional investment in the franchise is not included in this addition. When a franchise is sold, a subtraction modification for this amount can be claimed.

This bill is effective July 1, 1996 and applies to all taxable years beginning after December 31, 1995.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund revenues could increase in FY 1997 as described below. Expenditures would not be affected.

Local Effect: Revenues could increase in FY 1997 as described below. Expenditures would not be affected.

Fiscal Analysis

State Revenues: General fund and Transportation Trust Fund revenues could increase by an indeterminate amount in fiscal 1997 or 1998, and possibly in other years. The additional amount, if any, cannot be reliably estimated at this time. It depends on the number of professional sports franchises relocating to Maryland and the extent to which any increases in value of these teams are attributable to the move. If the taxpayer is subject to the corporate income tax, Transportation Trust Fund (TTF) revenues could increase since 25% of corporate income tax revenues are distributed to the TTF.

Assuming that any professional sports teams for which this addition modification must be

made are sold in the future, the net effect of this bill should be negligible, as taxes would be reduced in the years the teams are sold because of the subtraction modification for the same dollar amount.

Local Revenues: To the extent that a professional sports franchise is structured in a manner that the net income is subject to the individual income tax, local revenues will increase through the piggyback tax for any jurisdictions which have a taxpayer affected by this bill. The average statewide piggyback rate is 54.5% of State tax liability. Likewise, if the subtraction modification is claimed at some future point, local revenues could decline, for a negligible net effect.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Maryland Stadium Authority, Department of Fiscal Services

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