

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 626 (Senator Cade, et al.)
Budget and Taxation

Sales and Use Tax - Permanent Seat Licenses

This bill imposes a 10% sales and use tax on the first sale of a permanent seat license for a professional sports stadium. The revenues from this tax are to be distributed to the Dedicated Purpose Account of the State Reserve Fund to be used only to help pay the State's construction costs for the stadium for which the licenses are sold. Subsequent sales of the licenses are subject to the State's 5% sales and use tax.

The bill is effective June 1, 1996.

Fiscal Summary

State Effect: Potential revenue increase of \$8 million, all of which would be deposited in the Dedicated Purpose Account. 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 Effect: 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 June 1, 1996, the State would collect \$8 million in sales and use taxes, all of which would be deposited in the Dedicated Purpose Account of the State Reserve Fund to be used to fund the State's construction costs for the new football stadium.

However, since this bill is not effective until June 1, 1996, it is possible that some of the seat licenses would be sold before the effective date, thus allowing purchasers to avoid the sales and use tax. If, for example, 70% of the licenses are sold before June 1, 1996 and 30% of the seat licenses are sold after June 1, 1996, the State would collect approximately \$2.4 million from the tax. As a result of any taxes collected, other State revenues pledged to the construction of the stadium, such as lottery revenues or bond proceeds, could be reduced.

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 revenues resulting from this bill could be substantially higher, and the cost to the State for infrastructure improvements would be offset accordingly.

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 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.

Information Source(s): Office of the Comptroller (Compliance Division), Maryland Stadium Authority, State Lottery Agency, Department of Fiscal Services

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