

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 357 (Delegate Fulton, et al.)
Ways and Means

Sales and Use Tax - Permanent Seat Licenses

This bill applies a 15% sales and use tax to the sale of a permanent seat license for a seat at a professional sports stadium. The sale is subject to the sales and use tax, regardless of whether it is also subject to the admissions and amusement tax. All revenues from the tax are to be used to provide additional funding for the Baltimore City Public School System.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Potential revenue increase of \$2.4 million in FY 1997, all of which would be remitted to Baltimore City. Future year revenues cannot be reliably determined at this time, due to the uncertainty of the resale mechanism for permanent seat licenses.

Local Effect: Potential revenue increase of \$2.4 million in FY 1997. All revenue must be used as additional funding for Baltimore City's public school system. Future year revenues cannot be reliably estimated at this time.

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 July 1, 1996, the State would collect \$12 million in sales and use taxes, all of which would be remitted to Baltimore City to provide additional funding for its public school system. 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 sales and use tax. Accordingly, if 20% of the seat licenses are sold after the effective date of the bill the State would collect approximately \$2.4 million in fiscal 1997 for the Baltimore City public school system.

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.

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.

Local Effect: Assuming that 20% of the permanent seat licenses for the new football stadium in Baltimore City are sold in fiscal 1997, Baltimore City revenues could increase by \$2.4 million. The bill requires that any such revenue be used to provide additional funding for the city's public school system.

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

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Analysis by: Lisa Kleinschmidt

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710