

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 189 (Senator Hoffman, *et al.*)
Budget and Taxation

Referred to Ways and Means

Admissions and Amusement Tax - Videotape and Game Cartridge Rentals

This amended bill authorizes municipalities, including Baltimore City, to levy an admissions and amusement tax on videotape and game cartridge rentals, except for game cartridges used with machines that dispense instant bingo tickets. A municipality would have to adopt a resolution or ordinance that expressly provides for the tax.

This bill is effective July 1, 1997.

Fiscal Summary

State Effect: One-time general fund expenditure increase of \$36,100 in FY 1998. Revenues would not be affected.

Local Effect: Potential significant increase in local revenues and expenditures in FY 1998 as discussed below.

Small Business Effect: None. This bill would not directly affect small businesses as discussed below.

Fiscal Analysis

Background: The prevailing admissions and amusement tax rate in a municipality may not exceed 10% of gross receipts. In addition, an admissions and amusement tax may not exceed 5% when the gross receipts are subject to the 5% sales and use tax. Since the gross receipts from videotape and game cartridge rentals are subject to the sales tax, the maximum tax rate that a municipality could apply is 5%.

State Expenditures: If municipalities choose to enact the tax allowed by this bill, the Comptroller's admissions and amusement tax account system would have to be modified. This would create a one-time expenditure increase of \$36,100 in fiscal 1998.

Local Revenues: Levying a tax of up to 5% in a municipality could significantly increase local revenues. Baltimore City estimates that it would bring in up to \$500,000 in additional fiscal 1998 revenues from a 5% tax while Takoma Park estimates that this tax would generate approximately \$13,000 in fiscal 1998. If all municipalities levied a 5% tax on videotape and game cartridge rentals, revenues would increase by an estimated \$3.0 million in fiscal 1998.

Local Expenditures: The Comptroller's Office advises that significant costs could arise from the revision of existing computer programs and report formats if municipalities enact an admissions and amusement tax on videotape and game cartridge rentals. These costs would be paid by the jurisdictions enacting the tax authorized by the bill.

Small Business Effect: If a municipality imposes an admissions and amusement tax on video tape and game cartridge rentals, small businesses could be negatively affected. Imposition of such a tax could increase the administrative burden placed on small businesses from increased tax collections and increase the cost of rentals, thus potentially decreasing sales. Any specific impact cannot be reliably estimated at this time.

Information Sources: Comptroller of the Treasury (Compliance Division), Baltimore City, Frederick County, Prince George's County, Baltimore County, City of Bladensburg, City of Takoma Park

Fiscal Note History: First Reader - February 3, 1997
lc Revised - Senate Third Reader - March 18, 1997

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