

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 766 (Delegate Patterson)
Ways and Means

Admissions and Amusement Tax - Licensed Health Clubs

This bill provides that the admissions and amusement tax does not apply to: (1) a charge for admission to or use of a licensed health club; or (2) use or rental of equipment at a licensed health club.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: General fund expenditures would increase by \$450 in FY 2004 for the Comptroller's Office to notify licensed health clubs of the exemption. Revenues would not be affected.

Local Effect: Local revenues could decrease by \$57,650 each year beginning in FY 2004. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: Admission to, use, or rental of a licensed health club and use or rental of equipment at a licensed health club is not exempt from admissions and amusement taxes.

Background: Health clubs are required to register with the Attorney General's Consumer Protection Division. An admissions and amusement tax is a local tax that may be imposed on the gross receipts from admissions charges, the use of recreational or sports facilities or equipment, certain sales at nightclubs or other places of entertainment, and the use of a game of entertainment. The Comptroller of the Treasury collects the

taxes, deducts for administrative costs (approximately 2%), and remits the revenues to the local governments. Not all athletic facilities are licensed health clubs.

State Fiscal Effect: General fund expenditures would increase by approximately \$450 in printing and postage costs in fiscal 2004 for the Comptroller's Office to notify licensed health clubs of the exemption.

Local Revenues: The Comptroller of Maryland advises that it collected over \$1,152,000 in admissions and amusement taxes in fiscal 2002 relating to licensed health clubs, soccer arenas, skating rinks, batting ranges, shooting ranges, and other athletic facilities. The Comptroller assumes only 5% of these receipts are from licensed health clubs. Accordingly, this exemption would result in a statewide reduction in revenues of approximately \$57,650. Any specific decrease for the local jurisdiction would depend upon the number of licensed health clubs and the admissions and amusement tax rate charged in the jurisdiction. The Comptroller's Office advises that nearly 80% of the admissions and amusement tax revenue related to licensed health clubs is collected from Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties. Caroline County is the only county that does not charge an admissions and amusement tax, but its municipalities may impose such a tax.

Additional Information

Prior Introductions: An identical bill was introduced in the 2002 session as HB 842. The House Ways and Means Committee reported the bill favorably, but the bill was withdrawn before a vote was taken by the Senate Budget and Taxation Committee. An identical bill was introduced in the 2001 session as HB 1272. The House Ways and Means Committee did not take action on the bill. A similar bill was introduced in the 1998 session as HB 883. It received an unfavorable report by the House Ways and Means Committee.

Cross File: None.

Information Source(s): Montgomery County, Prince George's County, Caroline County, Calvert County, Howard County, Comptroller's Office, Baltimore City, Washington County, Kent County, Worcester County, Office of the Attorney General, Department of Legislative Services

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