

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 307  
Ways and Means

(Delegate Frush, *et al.*)

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**Admissions and Amusement Tax - Food and Beverages**

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This bill authorizes the governing body of a municipal corporation to impose a maximum 1% admissions and amusement tax on gross receipts derived from the sale of food and beverages for on-premises consumption. The bill exempts alcoholic beverages sold for off-premises consumption, food or beverages for off-premises consumption sold by a grocery store, and food and beverages sold in vending machines. The bill also excludes the amount of the admissions and amusement tax charged by the municipality under this bill from the maximum admissions and amusement tax rate of 10% that may be charged by the municipality.

The bill takes effect July 1, 2005.

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**Fiscal Summary**

**State Effect:** None. The bill would not have an effect on the administration of the admissions and amusement tax by the Comptroller of Maryland.

**Local Effect:** Municipal revenues would increase due to the admissions and amusement tax assessed on food and beverages sold for on-premises consumption. The amount of such increase would depend on whether the municipality chose to impose the tax and the level of sales for food and beverages for on-premises consumption.

**Small Business Effect:** Potentially significant impact for small businesses in municipal corporations that sell food and beverages for on-premises consumption. There will be additional initial costs associated with reprogramming cash registers and ongoing administrative costs from remitting the tax collections.

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## Analysis

**Current Law:** Municipal corporations may impose, by ordinance or resolution, an admissions and amusement tax on the gross receipts derived from any admissions and amusement charge in the municipal corporation and an admission in that municipal corporation for a reduced charge or at no charge to a place if there is a charge for other admissions to the place. Municipal corporations do not have the authority to impose an admissions and amusement tax on the gross receipts derived from the sale of food and beverages for on-premises consumption.

**Background:** There are 156 municipalities in Maryland. Baltimore and Howard counties are the only jurisdictions in Maryland that do not have any municipalities.

Worcester County is authorized to impose a 1% tax surcharge on food and beverages sold at restaurants and bars within the boundaries of Ocean City under Article 25B, Section 13H. The additional tax revenue is dedicated to retiring the debt on the Ocean City Convention Center, and the tax surcharge sunsets when the debt is retired.

**State Fiscal Effect:** The Comptroller's Office collects admissions and amusement taxes on behalf of local governments. Any costs associated with collecting admissions and amusement taxes authorized by the bill and any costs associated with taxpayer education and compliance activities would be deducted from the funds returned to the municipalities.

**Local Fiscal Effect:** Under the provisions of the bill, municipalities could begin imposing an admissions and amusement tax on food and beverages at restaurants beginning on July 1, 2005. Any amount of revenue generated by the admissions and amusement tax on food and beverage sales would depend on the tax rate, if any, imposed in the municipality (likely to be 1%) and the level of sales for food and beverages for on-premises consumption in the municipality.

For illustrative purposes only, the Comptroller's Office advises that in fiscal 2004 approximately \$267.6 million in sales tax was paid by restaurants, lunch counters, delis, bars, and nightclubs statewide (excluding Baltimore and Howard counties which have no municipalities). If all of these businesses had been required to pay a 1% admissions and amusement tax, the additional revenue generated would have been approximately \$53.5 million. However, it is difficult to determine how much of this activity occurred in municipalities. In any event, the aggregate increase in municipal revenues would be significantly less.

## **Additional Information**

**Prior Introductions:** HB 243 of 2004, an identical bill, had a hearing in the House Ways and Means Committee but no further action was taken.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, City of Laurel, Baltimore City, Carroll County, Harford County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2005  
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