

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 521 (Senator Rosapepe)
Budget and Taxation

Admissions and Amusement Tax - Food and Beverages

This bill authorizes the governing body of a municipality 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 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, 2006.

Fiscal Summary

State Effect: None. The Comptroller's Office could collect and distribute the tax with existing resources.

Local Effect: Municipal revenues would increase due to the admissions and amusement tax assessed on food and beverages sold for on-premises consumption. The 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 on small businesses in municipalities that sell food and beverages for on-premises consumption. Additional initial costs associated with reprogramming cash registers and ongoing administrative costs from remitting the tax collections would be incurred.

Analysis

Current Law: A municipality may impose, by ordinance or resolution, an admissions and amusement tax on the gross receipts derived from any admissions and amusement charge in the municipality and an admission in that municipality for a reduced charge or at no charge to a place if there is a charge for other admissions to the place. Municipalities 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: Municipalities could begin imposing an admissions and amusement tax on food and beverages at restaurants beginning July 1, 2006. Any revenues 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 2006 approximately \$327.8 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 these businesses had been required to pay a 1% admissions and amusement tax, the additional revenue generated would have been approximately \$65.6 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: Identical bills were introduced in prior years as HB 243 of 2004, HB 307 of 2005, and HB 640 in 2006. The bills were heard by the House Ways and Means Committee but no further action was taken.

Cross File: HB 414 is listed as a cross file; however, the bills are not identical.

Information Source(s): State Department of Assessments and Taxation, City of Laurel, Montgomery County, Prince George's County, Caroline County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2007
ncs/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510