

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 499

(Senator Ferguson)

Budget and Taxation

Ways and Means

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**Admissions and Amusement Tax - Baltimore City - Amateur Sports League Fees**

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This bill authorizes Baltimore City to exempt, by law, gross receipts from any charge or fee to participate in an amateur recreational sports event or league from the admissions and amusement tax. The bill also specifies that the admissions and amusement tax may not be imposed in Baltimore City on the gross receipts from any charge or fee that is collected prior to July 1, 2016, for participation in an amateur recreational sports event or league.

The bill takes effect July 1, 2016.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City admissions and amusement tax revenues may decrease by a potentially significant amount beginning in FY 2017 depending on the number of amateur recreational sports events or leagues in the city and the amount of admissions and amusement taxes imposed. Baltimore City will also be required to refund admissions and amusement taxes collected from amateur recreational sports event or league participation charges or fees prior to July 1, 2016. This bill imposes a mandate on a unit of local government.

**Small Business Effect:** None.

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**Analysis**

**Current Law/Background:** Counties and municipalities are authorized to tax the gross receipts derived from (1) the charge for admission to any place furnishing a performance such as a movie theater or sports stadium; (2) the use or rental of sporting or recreational

facilities; (3) the merchandise, refreshments, or services sold or served in connection with entertainment at a nightclub or a room in a hotel, restaurant, hall, or other place where dancing privileges, music, or other entertainment is provided; (4) use of a game of entertainment; and (5) use or rental of recreational or sports equipment.

Counties and municipalities may also impose a tax on admission for a reduced charge or at no charge to a place that otherwise charges admission. An admissions and amusement tax may not be imposed in a municipality by a county if the municipality already imposes a similar tax or specifically exempts any gross receipts from the admissions and amusement tax.

The Maryland Stadium Authority is authorized to impose a tax on the gross receipts derived from any admissions and amusement charge for a facility owned or leased by the stadium authority. The stadium authority also may impose an additional tax for each person provided with a free admission or an admission at a reduced charge to a stadium authority facility. Currently, these taxes are imposed at both stadiums at Camden Yards (Orioles and Ravens).

Each county or municipality sets its own single tax rate or range of rates. This rate is expressed as a percentage of gross receipts, up to a maximum rate of 10%. The stadium authority may impose an admissions and amusement tax at its facilities of up to 8%.

In those instances where gross receipts are subject to both a local and a stadium authority admissions and amusement tax, the stadium authority tax takes precedence. The stadium authority imposes the maximum 8% rate at both stadiums at Camden Yards. Therefore, Baltimore City may only impose a maximum 2% admissions and amusement tax on those receipts.

The local admissions and amusement tax is further limited by the State sales and use tax. The maximum tax rate on the gross receipts subject to both the State sales and use tax and the local admissions and amusement tax may not exceed 11%. Therefore, if the 6% State sales and use tax applies to these receipts, the local admissions and amusement tax may not exceed 5%. This limitation on the local tax arises primarily on performances accompanied by some type of food service (*e.g.*, dinner theaters).

Counties, municipalities, and the stadium authority are authorized to classify different types of activities, and the rate of tax need not be the same for each type. If a municipality does not levy a tax, the county tax, if any, applies within the municipality. All counties (with the exception of Caroline and Frederick counties), Baltimore City, and most municipalities impose an admissions and amusement tax. There are numerous statewide and county specific admissions and amusement tax exemptions set out under State law.

The City of Frederick passed a local ordinance in February 2014 specifying that the city's admissions and amusement tax would not be imposed on the gross receipts of indoor and outdoor recreational sports teams or leagues. Under the ordinance, recreational is defined as an amateur fitness activity, but does not include roller or ice skating, tennis, use of a paintball facility, golfing, or the use of a firing range. The ordinance was retroactive to January 1, 2009.

In a recent notice of final determination, the Comptroller found that at least one amateur sports league in Baltimore City was not exempt from paying admissions and amusement taxes. The league was determined to be a sports league and not a social club, which would have been exempt under the law. The determination also specified that the league fees that were charged to members are not the same as dues paid for a gym membership and therefore were subject to the tax.

**Local Fiscal Effect:** Baltimore City admissions and amusement tax revenues may decrease by a potentially significant amount beginning in fiscal 2017 depending on the number of amateur recreational sports events or leagues in the city and the amount of admissions and amusement taxes collected. Baltimore City is estimated to collect admissions and amusement tax revenues of \$7.7 million in fiscal 2016.

The bill also specifies that the admissions and amusement tax may not be imposed in Baltimore City on the gross receipts from any charge or fee that is collected prior to July 1, 2016 for participation in an amateur recreational sports event or league. As a result, the city will have to refund any admissions and amusement taxes collected prior to the effective date of the bill.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1227 (Delegate Clippinger, *et al.*) - Ways and Means.

**Information Source(s):** Baltimore City; Comptroller's Office; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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Analysis by: Michael Sanelli

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