

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1286
Ways and Means

(Delegate Lisanti, *et al.*)

Budget and Taxation

Harford County - Admissions and Amusement Tax - Limitations in Municipal Corporations

This bill prohibits a municipality in Harford County from imposing an admissions and amusement tax on gross receipts derived from any admissions and amusement charge for (1) golf entertainment; (2) a business that provides drive-in movie entertainment; (3) any activities related to agricultural tourism; and (4) a roller skating rink.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Admissions and amusement tax revenues in the City of Havre de Grace decrease by approximately \$80,000 annually beginning in FY 2018. The bill does not affect revenues for the City of Aberdeen or the Town of Bel Air. Municipal expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Current Law: Harford County is prohibited from imposing an admissions and amusement tax on gross receipts derived from any admissions and amusement charge for (1) golf entertainment; (2) a business that provides drive-in movie entertainment; (3) any activities related to agricultural tourism; and (4) a roller skating rink.

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.

Local Fiscal Effect: The City of Aberdeen reports that there are no businesses in the city that would be affected by the exemption under the bill, so city revenues are not affected. The Town of Bel Air reports that the bill will have no effect on town revenues as there are no businesses that would qualify for the exemption under the bill within the town limits.

The City of Havre de Grace advises that there is one golf course (Bulle Rock Golf Course) within the city limits whose charges have been subject to city admissions and amusement taxes since July 1, 2014. However, the city reports that the golf course has not remitted any admissions and amusement taxes. It is estimated that the exemption proposed by the bill will reduce city revenues by approximately \$80,000 on an annual basis. This estimate is based on the following information:

- for calendar year 2014, greens fees were \$1,631,917; admissions and amusement taxes would have been \$81,600;
- for calendar year 2015, greens fees were \$1,604,214; admissions and amusement taxes would have been \$80,200; and
- for calendar year 2016, greens fees were \$1,588,032; admissions and amusement taxes would have been \$79,400.

The City of Havre de Grace collected approximately \$5,400 in admissions and amusement taxes from other businesses in fiscal 2016 which were deposited into the city's general fund. Prohibiting the city from imposing an admissions and amusement tax on golf courses will result in a significant financial impact on city revenues. According to the city government, the Bulle Rock Golf Course has the potential to be the single largest source of admissions and amusement taxes for the city.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Harford County; cities of Aberdeen and Havre de Grace; Town of Bel Air; Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:

(410) 946-5510

(301) 970-5510