

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 324

(Senator McCray)

Budget and Taxation

Admissions and Amusement Tax - Food and Beverages

This bill authorizes counties and municipalities to impose a local admissions and amusement tax, of up to 3%, on the gross receipts derived from the sale of specified food or beverages at a place where there are facilities for the consumption of food or beverages on the premises. The tax may not be imposed on revenue derived from the sale of (1) alcoholic beverages sold for consumption off the premises; (2) food or beverages for consumption off the premises if sold by a vendor that operates a substantial grocery or market business at the same location where the food or beverages are sold, regardless of whether the sale is subject to the sales and use tax; or (3) food or beverages from a vending machine. The admissions and amusement tax authorized by the bill is not subject to a specified limitation when applied to items that are also subject to the State sales and use tax. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures for the Comptroller's Office may increase by a significant amount to administer the expansion of local admissions and amusement taxes. Under one set of assumptions, general fund expenditures increase by \$662,800 in FY 2026 and by \$878,300 in FY 2030. State revenues are not affected.

Local Effect: County and municipal revenues increase by a potentially significant amount beginning in FY 2026, to the extent local jurisdictions opt to impose an admissions and amusement tax on the gross receipts of certain food and beverage sales. Based on one set of assumptions, local revenues could increase by approximately \$460 million annually. Expenditures are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill defines food or beverages as (1) specified food; (2) an alcoholic beverage; (3) a soft drink, carbonated beverage, or bottled water; or (4) candy or confectionery.

Food is generally defined as food for human consumption and includes the following foods and their products: (1) beverages, including coffee, coffee substitutes, cocoa, fruit juices, and tea; (2) condiments; (3) eggs; (4) fish, meat, and poultry; (5) fruit, grain, and vegetables; (6) milk, including ice cream; and (7) sugar. Food does not include (1) an alcoholic beverage; (2) a soft drink or carbonated beverage; or (3) candy or confectionery.

Current Law: Counties and municipalities are authorized to tax the gross receipts derived from the following:

- the charge for admission to any place furnishing a performance such as a movie theater or sports stadium;
- the use or rental of sporting or recreational facilities;
- 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;
- use of a game of entertainment; and
- 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.

Maryland Stadium Authority

The Maryland Stadium Authority (MSA) 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. The stadium authority began collecting these taxes in 1992, when the Baltimore Orioles professional baseball club began playing at Camden Yards. Currently, these taxes are imposed at both stadiums at Camden Yards (Orioles Park at Camden Yards and the M&T Bank Stadium for the Baltimore Ravens professional football team).

Tax Rate Setting Authority

Each unit of local government 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%. MSA 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 municipal government 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.

Exemptions

The following are exempt from the admissions and amusement tax in all counties and municipalities:

- merchandise, refreshments, or a service sold or served at places where dancing is prohibited and the only entertainment is mechanical music, radio, or television;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for a charitable, religious, or educational purpose; a volunteer fire company or nonprofit rescue squad; or a fraternal, service, or veterans' organization;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for improvement, maintenance, or operation of an agricultural fair if no net earnings inure to the benefit of any stockholder or member of the association that conducts the fair;

- concerts and theatrical events of nonprofit groups organized to present annual series of musical concerts and nonprofit cultural organizations that receive direct appropriations of State funds through the Maryland State Arts Council;
- admission to live boxing or wrestling matches;
- the use of bowling alleys; and
- admission to, or use of, charter fishing boats; and sports wagering.

Local Tax Collections

County governments are estimated to collect approximately \$50.8 million in admissions and amusement taxes in fiscal 2025. Additional information on local admissions and amusement tax rates and revenues can be found in the [County Revenue Outlook Report](#). A copy of the report is available on the Department of Legislative Services (DLS) [website](#).

State Fiscal Effect: General fund expenditures for the Comptroller's Office increase by a significant amount beginning in fiscal 2026 due to the potential expansion of the local admissions and amusement tax.

Assuming that local governments exercise this new taxing authority, the Comptroller's Office will need additional staff within the Compliance Division, Office of the Attorney General (OAG), and Revenue Administration Division.

According to the Comptroller's Office, the Compliance Division will need to promulgate new regulations, alter the admissions and amusement tax return, initiate program changes to the operational system, and develop a taxpayer awareness campaign. The Comptroller's Office estimates that the expanded tax may double the number of taxpayers that remit the admissions and amusement tax. In addition, OAG may incur increased litigation responsibilities, while the Revenue Administration Division will have to process additional returns and submissions of specified registration applications.

As a result of the additional workload, the Comptroller's Office indicates that an additional 30 staff positions will be required at a cost of approximately \$2.3 million in fiscal 2026 and \$3.1 million in fiscal 2030. The additional staff include the following positions:

- 10 financial compliance auditors
- 13 revenue examiners
- 2 financial compliance auditor supervisors
- 2 revenue specialists
- 1 assistant Attorney General
- 1 financial compliance auditor manager

- 1 administrator

However, DLS advises that a more limited number of staff positions would be initially needed until a sizeable number of local governments impose the local admissions and amusement tax on food and beverage items. As a result, general fund expenditures may increase by \$662,800 in fiscal 2026 and by \$878,300 in fiscal 2030. This estimate is based on 10 additional positions (5 financial compliance auditors and 5 revenue examiners). It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	10
Salaries and Fringe Benefits	\$589,078
Other Operating Expenses	<u>73,688</u>
Total FY 2026 General Fund Expenditures	\$662,766

Future year expenditures reflect full salaries and annual increases in ongoing operating expenses.

Additional resources can be requested through the annual budget process depending on the number of local governments that expand the admissions and amusement tax to cover food and beverage items.

Local Fiscal Effect: County and municipal revenues increase by a potentially significant amount beginning in fiscal 2026, to the extent local jurisdictions opt to impose an admissions and amusement tax on the gross receipts of certain food and beverage sales.

As a point of reference, the Comptroller's Office collected approximately \$1 billion in State sales and use tax revenues from the following sales and use tax categories in fiscal 2022 and 2023: (1) restaurants, lunchrooms, and delicatessens without a beer/wine/liquor license; (2) hotels, and motels, selling food with a beer/wine/liquor license; and (3) restaurants and nightclubs with a beer/wine/liquor license. Assuming a maximum 3% admissions and amusement tax rate imposed on all items subject to the State sales and use tax, local revenues could increase by approximately \$460 million annually.

The potential revenue increase could be particularly beneficial to municipalities since a sizeable portion of the revenue yield from the additional admissions and amusement tax would be paid by nonmunicipal residents (*i.e.*, county residents who live outside the municipal boundaries or visitors to the municipality).

Small Business Effect: Small businesses that sell food and beverages will be subject to higher taxes to the extent they are imposed by local jurisdictions. However, it is possible that any increase in costs due to the increased tax will be passed on to consumers. The National Restaurant Association reports that in 2023 there were 11,573 restaurant locations

in Maryland, with an estimated \$17.6 billion in sales. There were approximately 255,700 food service and restaurant jobs in the State.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1306 of 2024.

Designated Cross File: None.

Information Source(s): Baltimore, Carroll, and Harford counties; Maryland Municipal League; Comptroller's Office; Department of Legislative Services

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