Senate Bill 451

Vessel Excise Tax – Exemption for Commercial Enterprises Paying the Admissions and Amusement Tax

MACo Position: **OPPOSE**
Date: February 20, 2013

To: Budget and Taxation Committee
From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** SB 451. This bill would exempt commercial vessels from the vessel excise tax if the vessel is subject to the local admissions and amusement tax and if the amount of the local admission and amusement excise tax collected equals at least 50% of the value of the exemption.

MACo is concerned with the precedent this legislation would set and does not see the clear linkage between the vessel excise tax and the admissions and amusement tax to justify such an exemption. Under current law, the vessel excise tax is imposed at a rate of 5% of the fair market value of a vessel purchased. This revenue goes into the Waterway Improvement Fund (Fund), which is administered by the Department of Natural Resources (DNR) to provide financial support for local governments, federal agencies, and DNR for capital projects and services for the boating public.

The admissions and amusement tax is a gross receipts tax imposed by a county on the rate of admission to an entertainment or sporting event. This revenue is used to fund general county operations. These two taxes serve different purposes and are in no way related to justify such an exemption. This would be the equivalent of exempting a person from paying the motor fuel tax because they are already paying income taxes.

More importantly, as mentioned above, the revenue generated by the vessel excise tax funds the Waterway Improvement Fund (Fund). According to DNR, the economy has affected revenue going into the Fund and so it has not been able to meet project demand. The Fund has a backlog of projects totaling $54 million. Exempting commercial vessels from the vessel excise tax in this manner would further reduce revenue going into the fund, thereby affecting the number of important waterway improvement projects to be funded each year.

MACo urges the Committee to issue an **UNFAVORABLE r**eport on SB 451.

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