



Business Tax Tip #20

Calculating Admissions and Amusement Taxes

How is the admissions and amusement tax imposed?

The admissions and amusement tax is imposed by county and municipal governments at rates varying up to 10 percent of gross receipts from taxable activities. Gross receipts from the following activities are subject to the admissions and amusement tax:

- admission to a place, including any additional separate charge for admission within an enclosure;
- use of a game of entertainment;
- use of a recreational or sports facility;
- use or rental of recreational or sports equipment; and
- merchandise, refreshments, or a service sold or served in connection with entertainment at a nightclub or room in a hotel, restaurant, hall, or other place where dancing privileges, music, or other entertainment is provided.

Effective June 1, 2009, electronic bingo machines and electronic tip jars are subject to a state admissions and amusement tax of 30 percent on the taxable net proceeds. The tax is in addition to any county or municipal admissions and amusement tax which may be levied. If the proceeds subject to tax are also subject to a county or municipal corporation tax, then the tax rate when combined must not exceed 35 percent.

Does this include the sales and use tax?

Gross receipts from certain activities may be subject to both the admissions and amusement tax and the sales and use tax. If the gross receipts are subject to both taxes, as in the rental of recreational or sports equipment, the rate of the admissions and amusement tax is limited to five percent.

How do I find out what rates apply to what activities?

You can download a complete rate chart [here](#). Once a taxpayer has filed an initial return, subsequent returns will be pre-printed with the correct rates for previously-reported activities. A complete list of activity codes and descriptions is available [here](#).

Do I have to make a separate charge for the admissions and amusement tax?

No. The local admissions and amusement tax is a gross receipts tax imposed solely upon the person receiving the taxable receipts. The 30 percent state admissions and amusement tax on electronic bingo and electronic tip jars is imposed on the taxable net proceeds. In either case, unlike the sales and use tax, there is no requirement to make a separate charge for the admissions and amusement tax. Admissions and amusement taxes which may be due for both the state of Maryland and a county or municipality for these specific activities must be noted on separate lines on the admissions and amusement tax return and may not be combined.

Does the way in which I show the tax affect my remittance?

Absolutely not. The tax owed the state is the same whether calculated on a separately-stated or tax-included basis.

Give me an example of computing the tax on a tax-included basis.

If a business in Baltimore County, where the rate is 10 percent, and has receipts from tax-included admissions totaling \$9,900 for the reporting period, the tax is computed as follows:

1. Convert the tax rate to a decimal and add 1: $.10 + 1 = 1.10$.
2. Divide the total receipts by the number obtained in Step 1 to find taxable gross receipts: $\$9,900 \div 1.10 = \$9,000$.
3. Multiply the answer to Step 2 by the tax rate to find the tax: $\$9,000 \times 10\% =$
4. \$900.
5. Report taxable gross receipts of \$9,000 and tax of \$900.

What do I do if I'm presented with a tax exemption certificate?

You are not permitted to accept it. The admissions and amusement tax is not reduced because your customers may have a sales and use tax exemption certificate, diplomatic exemption card or other evidence of exemption.

Are deductions permitted for prizes, cost of goods sold or other expenses?

As a general rule, deductions are not permitted for prizes, cost of goods or other expenses. The admissions and amusement tax is a gross receipts tax and not an income tax permitting the deduction of expenses. The only exception is in Anne Arundel County (outside of any

municipality) where the cost of prizes in bingo games may be deducted before computing the tax.

How are reduced charge or free admissions taxed?

An additional tax is imposed on reduced charge or free admissions in most, but not all, subdivisions. If the jurisdiction imposes this tax, the tax is 5 cents for each ticket if the regular price is less than 50 cents, 10 cents for each ticket if the regular price is less than \$1.00, and 15 cents for each ticket if the regular price is \$1.00 or more.

Does the 10 percent limit on the rate of tax also limit the additional tax on reduced charge or free admissions?

No. The tax on reduced charge or free admissions is payable in full even if the actual amount of taxes payable would exceed 10 percent of gross receipts.