

## **Business tax tip #20**

### **Computing 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. 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?**

If the gross receipts are subject to both taxes, as in the rental of sporting equipment, the rate of the admissions and amusement tax is limited to 5 percent.

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

You can download a complete [rate chart](#) or request one by calling the Taxpayer Service Section at 410-260-7980 in the Baltimore area, or 1-800-638-2967 from elsewhere in Maryland. Once a registered taxpayer has filed an initial return, subsequent returns will be pre-printed with the correct rates for previously-reported activities.

#### **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 should ignore 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?**

Generally not. The admissions and amusement tax is a 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.