

Andrew W. Kleine

FROM	NAME & TITLE	Andrew W. Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 469, City Hall (396-4941)
	SUBJECT	City Council Bill No.10-0503 Outdoor Advertising Tax

CITY of
BALTIMORE
MEMO



TO
The Honorable President and
Members of the City Council
Room 400, City Hall

DATE: May 19, 2010

This bill proposes a \$5 per square foot excise tax on outdoor advertising displays. The displays subject to the tax would be those whose total display area exceeds 50 square feet.

Analysis

In 2000 the City of Baltimore passed a prohibition on new billboards within the City limits. Since that time the number of billboards in the City has been static with a small attrition due to development. The last complete compilation of billboards in the City was done in 1990 and few new bill boards have been approved by the City since then.

Billboards can be classified as a Junior Poster, Billboard, Premium Panel, Bulletin, and electronic multi-display. Each of these displays has different square footage as calculated under this bill.

The taxing of outdoor advertising represents an untapped tax base for the City of Baltimore. For the most part the fee structure is easily understood and taxes can be easily calculated by both the owner and the City.

The one exception is the tax structure for multi-display advertising. As the bill is written, the definition for the square footage of the electronic multi-displays is confusing and presented problems in operationalizing the definition. Finally, the proposed tax structure for electronic multi-displays would be difficult to audit, resulting in substantial potential for tax evasion.

The Department of Finance recommends that calculation of the square footage of electronic displays be calculated in the same manner as non-electronic signage. If it is deemed that electronic multi-display signage should be taxed at a higher rate than non-electronic signage, the Department would recommend that the tax rate and not the square footage be used to differentiate taxes on the two classes of signage.

Fiscal Impact

Determining both the quantity and sizes of existing signage that is subject to this tax is difficult due to the lack of available records. The Department of Finance estimates that there are between 900 and 1,500 outdoor advertising displays in the City. There are also a small number of other sizes that are not included in the above numbers.

F/A

MAY 19 2010

These are rough estimates based on documents from the Board of Municipal Zoning Appeals and discussions with them on levels of zoning activity. The low end assumes attrition due to development. Based on a minimum of 900 billboards, it is estimated the bill will yield \$1.0 million. On the high side, we estimate the bill will yield \$1.6 million. Because we were unable adequately interpret the meaning of the square footage definition of electronic multi-display signage, both of these estimates assume that electronic multi-displays are calculated in accordance with the Department of Finance recommendation for electronic multi-display signage.

Recommendation

The Department of Finance believes this is a tax base that should be included in the mix of City taxes and supports the bill if appropriate amendments were made to calculate square footage of electronic multi-displays the same as non-electronic displays.

Cc: Edward J. Gallagher
Angela Gibson

Visit our website @ www.baltimorecity.gov