

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 795

(Delegate Reznik, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

Athletics - Mixed Martial Arts - Regulation by State Athletic Commission -
 Boxing and Wrestling Tax

This bill requires an individual to be licensed by the State Athletic Commission as a condition of participating in a contest as a mixed martial arts contestant.

Fiscal Summary

State Effect: General fund revenues would increase by \$16,500 in FY 2009 to reflect additional licensing activity. Potential additional increase in general fund revenues could result from taxes on gross receipts from admission and telecast charges and imposition of up to a \$5,000 penalty for failure to pay these taxes. General fund expenditures would increase by \$12,400 in FY 2009 for contractual staff, travel, and training costs. Out-year estimates reflect annualization and inflation.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	\$16,500	\$48,000	\$48,000	\$48,000	\$48,000
GF Expenditure	12,400	29,100	30,200	31,300	32,500
Net Effect	\$4,100	\$18,900	\$17,800	\$16,700	\$15,500

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful for promoters of mixed martial arts contests.

Analysis

Bill Summary: “Mixed martial arts” is defined as a competition in which contestants use interdisciplinary forms of fighting, including striking with the hands, feet, knees, or elbows and grappling by take-downs, throws, submissions, or choke holds. A license from the State Athletic Commission is required to participate in a contest as a mixed martial arts contestant. The fee is \$10 to be licensed as a contestant, \$15 to be licensed as a judge, and \$25 to be licensed as a manager or matchmaker; licenses are valid for one year.

Licensing requirements do not apply to amateur mixed martial arts conducted under the supervision of an amateur kick boxing or mixed martial arts organization reviewed and approved by the State Athletic Commission; however, the commission is required to adopt regulations to ensure the safety of individuals who participate in these events. Licensing requirements also do not apply to exhibition events.

An applicant for a license to participate as a mixed martial arts contestant must test negative for the human immunodeficiency virus, hepatitis B, and hepatitis C within the 30 days prior to application. The commission may require periodic testing as a condition of continued participation as a mixed martial arts contestant.

Prior to a licensee’s first appearance as a contestant, he or she must undergo a neurological examination by a licensed physician chosen and paid for by the commission. Additional neurological testing is required of contestants who meet other specified criteria. A contestant must be examined by a physician and submit to urinalysis before entering the ring. The commission sets the length in rounds of each contest.

A tax is extended to gross receipts derived from admission charges for mixed martial arts events and their telecast. The commission is required to impose a penalty of up to \$5,000 for failure to pay this tax, which also applies to gross receipts from boxing or wrestling contests.

All other relevant requirements, prohibitions, and protections of the State Athletic Commission are extended to mixed martial arts contestants and events; however, minimum glove weight is repealed for all contestants regulated by the commission.

Current Law: The State Athletic Commission has jurisdiction over all boxing, kick boxing, or wrestling contests held in the State, with the exception of intercollegiate or amateur events. The commission licenses participants, managers, referees, judges, seconds, matchmakers, and promoters of these contests.

Fees for a one-year license range from \$10 for a participant to \$150 for a promoter. A promoter also has to execute a surety bond of no less than \$2,000. Licensees are required to meet all physical, testing, and medical requirements established by the commission.

The commission may deny an application, reprimand a licensee, suspend or revoke a license, and/or impose a penalty of up to \$5,000 for a violation of statutory provisions. A license may also be denied if the commission finds that an applicant is unfit to participate, fails to submit to urine testing or tests positive for a controlled dangerous substance, or fails to properly pay boxing and wrestling taxes. A person who violates licensing or other commission provisions is guilty of a misdemeanor and may be subject to a fine of up to \$2,000 and/or imprisonment for up to six months.

A tax is imposed on gross receipts derived from admission or telecast charges for a boxing or wrestling contest in the State. The commission is required to impose a penalty of \$500 for failure to pay this tax.

Background: The New Jersey Athletic Control Board was one of the first in the nation to regulate mixed martial arts. According to board documents, concerns about the health and safety of the participants, including the lack of weight classes and the length and number of matches, had prevented the board from sanctioning the sport. As internal controls were established, the board allowed promoters to conduct events in the state, subject to the board's testing and safety requirements. After observing these events, board staff developed regulations governing these contests. These regulations have been in place for approximately five years, with several other states and athletic boards developing similar regulations.

Mixed martial arts are currently regulated through statute or regulation in 26 states, including the District of Columbia and Virginia; regulations in Pennsylvania are pending approval. According to the Ultimate Fighting Championship, a prominent mixed martial arts organization, events have drawn up to 19,000 spectators, with events also attracting viewers on cable television.

State Revenues: The bill extends the tax on gross receipts derived from admission and telecast fees to mixed martial arts contests and increases the penalty for noncompliance with tax provisions. The tax on admission fees is calculated at the greater of \$200 or 10% of gross receipts. The tax on televised charges is calculated at 10% of gross receipts; the 10% total tax rate on televised receipts includes any applicable sales and use taxes.

Given the experience in neighboring states, the Department of Labor, Licensing, and Regulation estimates that 12 professional mixed martial arts contests would be held each year, generating an average of \$3,500 in admission tax revenues per event, or \$42,000 per year. The department anticipates that appropriate regulations, training, and licensing activity would not be complete until spring 2009, generating tax revenues of only \$10,500 in fiscal 2009. It is assumed that full-year tax receipts reach \$42,000 beginning in fiscal 2010. This estimate does not include taxes on televised receipts, which cannot be reliably estimated at this time.

The bill increases the maximum penalty to \$5,000 for failure to pay the boxing and wrestling tax, which also applies to mixed martial arts contests. This provision is not expected to generate a significant amount of new revenue, as the existing penalty provision has been rarely invoked.

In addition to any additional tax and penalty revenue, it is estimated that \$6,000 in general fund revenues would be generated each year through licensing fees. Licenses, which are valid for a period of one year, would be required of contestants, promoters, managers, seconds, and matchmakers in a regulated mixed martial arts event.

State Expenditures: DLLR's general fund contractual personnel expenditures could increase by an estimated \$1,600 for each event. This estimate reflects the cost of retaining 14 contractual personnel on a per diem basis to supervise and monitor licensed participants and activity. The per diem salary costs for the positions required for an event are:

6 Investigators	\$450
5 Referees and Judges	500
2 Physicians	400
1 Neurologist	250
Total	\$1,600

In addition to these costs, DLLR estimates \$25 in travel expenses per staff member per event, equating to \$350 per contest. Drug testing for participants is estimated at \$362 per contest.

In total, general fund expenditures could increase by \$12,382 in fiscal 2009, which reflects personnel, travel, and drug testing expenditures for three events plus \$5,000 in one-time training costs for State Athletic Commission personnel. Once fully annualized in fiscal 2010, general fund expenditures are estimated at \$29,132.

Additional Information

Prior Introductions: None.

Cross File: SB 649 (Senator Conway) – Education, Health, and Environmental Affairs and Budget and Taxation.

Information Source(s): Department of Labor, Licensing, and Regulation; New Jersey State Athletic Control Board; Ultimate Fighting Championship; Department of Legislative Services

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