

Greater Columbus Arts Council Admissions Fee Proposal

Executive Summary

On September 17, 2018, the Greater Columbus Arts Council (GCAC) presented to Columbus City Council its proposal to institute a fee associated with the sale of admissions to performing arts venues, sporting events, and others. The purpose of the fee is two-fold: to generate a sustainable revenue stream to support further investment in arts, art education, and access to arts for low-income residents and families, and to provide capacity to address capital needs for public facilities.

Should Council elect to proceed with the implementation of an admissions fee, the question before the body involves the following considerations:

- The rate at which a fee should be levied;
- The intended use of the funds, and the degree to which it should be codified (as opposed to enacting the intention via policy);
- The exemptions to the fee, whether those be distinguished via admissions price, size of venue, type of venue, and/or type of organization benefiting from the event;
- The process by which any fee would be levied, collected, and administered.

GCAC Proposal

As proposed, a 7 percent fee would be applied to admissions to events and engagements, with notable exemptions (which will be defined later in this analysis). The applicable venues include concerts and performances at Nationwide Arena, the Schottenstein Center, Ohio Stadium, MAPFRE Stadium, Huntington Park, and other smaller performance venues, such as CAPA theatres. It would further apply to admission to events at the Convention Center and the Ohio Expo Center. A significant portion of the revenue would also be produced by admission to CAPA events (\$7.3M), COSI (\$4.2M) and movie theaters (\$27M).

At 7%, GCAC estimates that the admissions fee will produce \$12.9M in annual revenue. Of the estimated \$12.9M, GCAC proposes that 70%, or \$9M, supplement their existing competitive grant process that directs funding toward operating and capital support for arts organizations and events. This would be in addition to the estimated \$7.1M that GCAC is projected to receive through the city's hotel-motel tax. GCAC's proposal does not include any specific use of this new funding stream that varies from their existing process, i.e. support for a specific class or category of artist or venue.

GCAC proposes that the remaining 30%, or \$3.9M, be distributed directly to Nationwide Arena for capital purposes. GCAC and the Franklin County Convention Facilities Authority (FCCFA) assert that the arena has foregone repairs and renovations that put it at risk for substantial, unbudgeted repairs that could severely limit its ability to generate revenue. They estimate that to maintain the arena for another two decades, at which point the arena will be 40 years old, will require \$4M per year over the next 10 years.

An admissions fee/tax is, in some ways, considered an example of "exporting" a tax. A more common example of this is high sales taxes in tourist destinations, the idea being that a vast portion of the revenue



produced by the tax is derived through the activity of those coming from outside the taxing jurisdiction. With regard to the productivity of GCAC's proposed fee, it would function in a somewhat similar manner. The Franklin County Convention Facilities Authority has indicated that approximately 45% of the revenue generated by events at Nationwide Arena is yielded from non-Columbus residents. GCAC's proposal assumes that the arena will generate just under \$5M, or 39% of the estimated \$12.9M in admissions fees, meaning that non-city residents would be generating about \$2.2M, or one-sixth, of the proposed admissions fee. Those metrics apply to Nationwide Arena, but they are likely as applicable to events at the city's other major anchor venues, such as the Schottenstein Center, MAPFRE Stadium, Ohio Stadium, and Huntington Park.

The argument can be made that the application of an admissions fee would be one mechanism by which to broaden the base of support for entertainment and cultural arts facilities. It is worth noting that, while our local sports facilities and performing arts venues are intended for *regional* consumption, their consumers are frequently non-city residents, and are therefore not subject to the same cost burdens as Columbus residents. Many of the city's cultural facilities, such as COSI, Franklin Park Conservatory, and the Columbus Museum of Art, have benefitted from operating and capital investments which are inherently associated with residential income taxes and property bond issues. The implementation of an admissions fee is essentially a use fee and would extend the base of support to those who have not previously shared in the city's investment.

Peer Cities and Impact

In 1998, the General Assembly amended section 715.013 of Ohio Revised Code (ORC) to authorize municipalities to levy admissions taxes, which, in fact, brought ORC in alignment with existing practices. As of August 2018, 63 Ohio municipalities levy admissions taxes, with rates ranging from 1.5% in Woodlawn to 8% in Cleveland (Middletown levies a flat tax of \$0.25 per ticket).

Most cities imposing an admissions tax direct the associated revenue to the city's general fund, with no restriction on its use. This is the case for taxes in Pittsburgh and Chicago, among others. In other cities across the country, it is common for an admissions tax to be levied at a venue for the purpose of servicing the venue itself. This is the case in Dallas, wherein a 10% tax is levied upon tickets to the Cowboys Complex and from which the revenue is used to pay down the debt financing the facilities.

If enacted, Columbus would join Seattle as one of the only cities in the country to levy an admissions tax/fee that is codified in support of the arts. In Seattle, 80% of the revenue from the city's 5% tax is directed toward the city's Office of Arts & Culture, with the remaining 20% allocated to the general fund.

Below is a table with rates in comparable cities, as well as some of the exemptions applied for their respective admissions taxes or fees:

City	Rate	Exemptions
Cleveland	8%	
Cincinnati	3%	
Reynoldsburg	3%	
Sandusky	4%	
Indianapolis	10%	Events sponsored by educational institutions, religious organizations, or charitable organizations; limited to events held at specific facilities.
Pittsburgh	5%	Non-profit performing arts
Chicago	9%	Certain live cultural performances; also certain amusements sponsored by religious, charitable, and not-for-profit organizations for fund raising purposes are exempt, but are restricted to two events per calendar year not exceeding a total of 14 calendar days.
Baltimore	10%	If all of the proceeds from an activity are donated to a charity, the gross receipts are exempt from the admissions and amusement tax. Also, the gross receipts from sales of tickets to political fund-raisers are not subject to tax. Also, simulated slot machines.
Charlotte*	7.25%	K-12 events, agricultural fairs, state-funded events, certain non-profit events.
Austin*	8.25%	
Seattle	5%	Non-profit organizations
Minneapolis	3%	Non-profit organizations
St. Louis*	5%	
Boulder	5%	Tax-exempt license holders
Louisville*	6%	Amusement park ride charges, fishing or picnicking fees, skating, skiing, instructional seminars, conferences, workshops.
Denver	10%	Applies only to events at city- and county-owned facilities; exempts Denver Zoo, city-owned museums, Botanic Garden, some conferences, and events for which a performer is unpaid.
Nashville	9.75%	

* Indicates that the tax is levied as a state, city (or combination) sales tax, i.e. the tax is generally applied on the purchase of goods, and admissions are liable for the tax.

It's important to note that, under current Ohio Revised Code, admissions are not currently liable for sales tax. Comparing Columbus with other cities can be challenging, because the tax is sometimes levied either on a statewide basis or as a sales tax; furthermore, some municipalities amplify the state sales tax, under which their admissions are liable, with their own municipal sales tax. Nashville, for example, levies a 2.75% tax on top of the 7% levied by the state.

One peer city that does not currently levy an admissions tax is Detroit, as municipalities are not currently authorized to levy admissions taxes in Michigan and admissions are exempt from the state's sales tax. However, a bill was introduced in the Michigan state legislature in October 2017 that would levy a 10% admissions tax for venues with 500 or more seats in cities with populations exceeding 100,000.

Opponents have argued that the introduction of an admissions fee in Columbus would reduce the city's competitive edge in attracting performers and events relative to peer cities that already have a fee in place. Event organizers for the XL Center in Hartford, Connecticut, have recently suggested that the state's 10-

month old statewide 10% admissions tax has resulted in the loss of at least a dozen events, as promoters seek venues providing higher profit margins. In Hartford, Live Nation joined the XL Center in unsuccessfully lobbying the state's legislature to repeal the tax, arguing that the tax made it too challenging to compete with the state's exempted casinos, as well as venues in New York and Massachusetts, states that do not currently levy a tax.

At the same time, while there is not a substantial body of evidence defining the relationship between admissions taxes/fees and attendance, what is apparent within peer cities is that the quality of the product and the attraction of the event are far greater drivers of attendance. In Cleveland, the Ohio city with the highest admissions tax rate, attendance at Indians and Cavaliers games is robust and growing. This is naturally associated with the strong performance by both teams in their respective leagues – for instance, following a World Series run in 2016, attendance at Indians games increased by 28% in 2017. Ticket prices for those games increased by an average of 8.7%, indicating that there was sufficient elasticity of demand to grow attendance.

As part of crafting its proposal to Council, GCAC engaged Burges & Burges to further study comparable cities and their associated fees and taxes. That analysis contains more information on additional cities, and has been attached to this memo as an addendum.

Exemptions

There is ongoing debate and discussion regarding what is fully exempted under existing law, such as K-12 sporting events and college sporting events, and admissions to any event sponsored by the state or other public institution. That may include, for example, admission to the Ohio State Fair, though not necessarily other events taking place at the Fairgrounds. Similarly, admission to Ohio State football games may be exempt, while concerts or shows at Ohio Stadium would be liable. The need remains to establish what is exempted with certainty under current law.

GCAC's proposal includes two additional exemptions: ticket prices of \$10 or less, and venues seating 400 or fewer. This will have the effect of exempting spaces such as those operated by Shadowbox Live, some theatres within the Riffe Center, and the Shedd Theatre within the Columbus Performing Arts Center, among others. It will also exempt dozens of local clubs and bars that host smaller engagements or who administer lower cover charges for admission. In addition, events for which the entirety of the proceeds goes to benefit a non-profit organization would be exempt. The Columbus Zoo, by virtue of not technically falling within City of Columbus corporate limits, is also exempted.

Another important note regarding the proposed exemptions is that those organizations and venues that are exempt must *voluntarily* impose the admissions fee in order to qualify for any operating support from GCAC. In 2017, program support constituted \$3.4M, or 82% of the \$4.2M in grants distributed; GCAC also distributes smaller awards for individual projects, constituent events, and "boosts," which are intended to build capacity within organizations. This will have a two-fold impact: those organizations that previously received support from GCAC but would be exempted from the new admissions tax – venues such as the King Arts Complex and Columbus Dance Theatre – would need to forgo the exemption and levy the fee in order to qualify for continuing operating support. Second, while the exemption for small spaces and low ticket costs addresses the concerns among the smaller independent artists, it also prevents them from reaping any of the benefits of the new fee. However, note that exempt organizations are still eligible for project, event, and boost support from GCAC even if they do not voluntarily levy the fee. These proposed exemptions do not include movie theaters, which under GCAC's initial proposal are estimated to produce approximately \$1.9M in admissions fee revenue, constituting approximately 15% of

the \$12.9M in total revenue. However, that revenue figure was a product of an analysis by Dr. Bill LaFayette with Regionomics. In making his estimate, Dr. LaFayette assumed ticket prices of \$7.66 (Cinemark), \$9.27 (AMC), and \$9.78 (Regal), suggesting that movie theaters may be exempted under the ticket price floor. Unless movie theaters as a class are wholly exempted, it is possible that the actual revenue derived via theaters would be less than originally projected: matinee, senior, and child ticket prices are likely within the exemption. Furthermore, venues such as Studio 35, which rely more on alcohol and concession sales for revenue, have signaled their willingness to reduce movie admissions rates or offer complimentary tickets with accompanying purchases which themselves are not liable for the admissions fee. All this suggests that any revenue projection associated with movie theaters is likely subject to significant change and potential decrease, either as a function of exemptions or reconsideration of the methodology for projection.

Survey Results – Support and Opposition

Between September 18th and October 8th, City Council posted a survey to solicit resident feedback on GCAC's proposal. During that time, the city received 599 responses. The details of that survey are attached to this memo as an addendum, but the broader themes are discussed below.

Based upon the responses to the survey, several themes became apparent:

- Residents overwhelmingly believe that the arts, culture, and the creative economy are important to the city's future;
- 46% of all respondents indicated that they supported a ticket fee on arts and entertainment events that provides support to arts and the cultural community in Columbus;
- About 60% of respondents oppose a fee that directs a portion of its proceeds toward public facilities, i.e. Nationwide Arena;
- About 65% of respondents opposed GCAC's proposal in its current state.

Those in support of the admissions fee cite the need to compete with peer cities for performances, conferences, and shows, and express concern over the city's ability to maintain the associated venues absent a dedicated revenue stream. Others suggested that support for the arts has been secondary to a focus on urban and economic development, and that an admissions fee would strengthen local arts institutions.

Many respondents signaled their support while simultaneously expressing concern about specific components, or advocating for the inclusion of new provisions. Through both GCAC's public forums, as well as through feedback generated by the survey on Council's site, the opposition to GCAC's proposal focuses on 3 main themes:

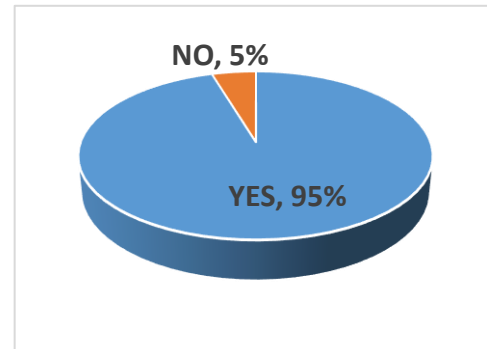
- Access to the arts are expensive enough, and this will further disincentivize low-income residents and families from patronizing the arts, as well as an across-the-board reduction in arts patronage;
- Small, independent artists contend that this both prevents them from raising their own prices to generate additional revenue and creates an administrative burden associated with the collection and remittance of the tax;
- Many characterize this as an unvoted support for Nationwide Arena, and argue that prior failed arena ballot initiatives and insufficient casino revenue as cause for opposition.

It is expected that Council's proposed process for consideration will continue to yield feedback on the proposed admissions fee.

ADDENDUM: GCAC ADMISSION FEE PROPOSAL

Between September 18th-October 8th, Columbus City Council received **599** responses to the survey posted on Council's external website. Below are the results to date, as well as notable responses for each of the five questions. Please note that the "notable responses" are presented as submitted, i.e. *sic*.

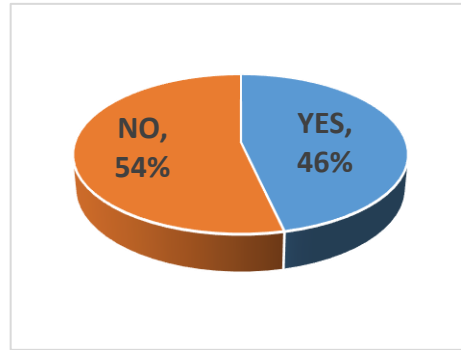
Question #1: Do you believe the arts, culture and the creative economy are important to Columbus' future?



YES	NO
<ul style="list-style-type: none">• Vitally important, with ever increasing value to the city. We have underfunded the arts for decades.• It is a shame they have been pushed out of the Short North in order to feed developers and at a Huge costs to the community, what's left of it.• Important but not critical. Just because I believe these are important doesn't mean it is fair to tax alternative entertainment options and events.• Arts are vital to allow people to express themselves, to beautify and differentiate our community, to attract visitors and residents, and to generate economic impact.• Arts and Culture is what makes a society function as well as bind together.• Music, arts, crafts, local food, & local beer are integral to Columbus's culture and economy.• Arts and culture are vital to the creation of a city's atmosphere and standing, but the proposed ticket tax goes way too far.• If we want to compete for tourism, conferences, national shows, performances, etc. we need to be at our best. Not with underfunded and crumbling venues.	<ul style="list-style-type: none">• It's a very limited participation field.. I don't care and don't want to pay for it.. NO MORE TAXES• I think this is up to citizens to decide, and those decisions will be made by their decision to patronize, or not patronize the arts and other cultural venues. By definition, if it is "important", the arts would be self-supporting. As it is, Central Ohio appears to have no difficulty attracting new residents to our communities.• If they cannot be self supported, consolidate them or close them

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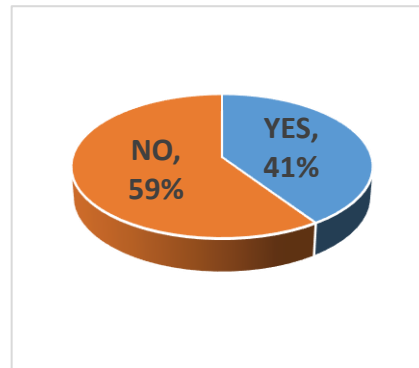
Question #2: Do you support a ticket fee on arts and entertainment events that reinvests dollars into Columbus' arts and cultural community?



YES	NO
<ul style="list-style-type: none"> • We are behind on thinking collectively about support for the arts. Rather than leading, we are at the tail of the curve. • Arts and arts institutions in Columbus are underfunded. This is one way to strengthen them. • I can support this fee but 7% is too high and the money should not be used on Nationwide Arena. I consider that a misuse of this fee. • Funding support for the arts often takes a back seat to development projects, i.e. the construction of buildings and because of that, supplemental support is often necessary. I believe it is a good investment for the overall well being of our communities. • Prefer that the money does not go to the Nationwide Arena • I do support it, I just wish that Nationwide Arena did not benefit. That seems very wrong to me. • SMALL FEE!!!! Very small. • We don't have big endowments like other city's and have to be creative in how we fundraise. • Fee should not be so high that lower income people can't go to an event. • Only if those fees support all programs of all sizes and not to just fund corporate music venues • I can afford to do so little that it will seriously impact my life. It needs to be handled differently than proposed. • There are already fees on everything we purchase. This will not dissuade people from purchasing tickets to art/culture/entertainment • It is about time we find a way to build an even stronger arts and cultural community. 	<ul style="list-style-type: none"> • If it is truly the only way to get more funding, I suppose I would grit my teeth and accept it. A ticket fee is inherently regressive, affecting the smaller venues and organizations much more than it does larger ones. • You need to concentrate on fixing our communities streets, lights, and crime. • We shouldn't take it from the arts to give back to the arts. • It's already too expensive to enjoy the arts in Columbus • I believe that those holding events are the ones best equipped to make the right investments for Columbus' arts and culture. • Businesses already pay taxes, licensing fees, permit fees, etc. A ticket fee is not the way to drum up funds. • The fee as proposed is aimed at supporting only the already very white, very wealthy arts and SPORTING establishments, and will only serve to further limit access of working-class, lower-income groups to the entertainment options in the city. • Fees and taxes are negative incentives. To encourage ticket sales, you do not raise the fees on those sales. It would be better to place fees and taxes on behaviors that Columbus wishes to disincentivize. • The reality is I could support it but not as proposed. A far more modest % without the arena component would be the first step toward getting my support. • Put it in the ballot if you want a tax.

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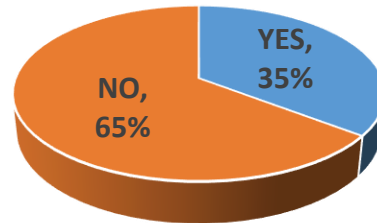
Question #3: Do you support a ticket fee on arts and entertainment events that reinvests dollars into Columbus' arts and cultural community that includes public facilities?



YES	NO
<ul style="list-style-type: none"> • The ticket fees from the public facilities gives back tremendously to the pool from which all institutions benefit • I think this is a reasonable way to stabilize funding for the arts and for facilities, especially the Arena. • Yes, with some discount for individuals who are on public assistance; and for seniors. • Fee should be low to start and increase as average income of the lowest 20% increases. 	<ul style="list-style-type: none"> • No, Lower income families will not be able to attend • The public facilities should be allowed or required to charge a facility stabilization surcharge or fee to all ticketed events, and collect a facility stabilization surcharge from all paid, but non-ticketed events. Publicly owned facilities should not be allowed to make up their deficits by digging deeply into funds which taxpayers assume will be used to promote the arts. • Again a 2-3% fee for the arts and culture is one thing; not to support Nationwide Arena. • No, because the smaller venues that host the majority of these events will be the ones that suffer without receiving significant “reinvestment” money. • This seems like a way of making people who are already involved pay more for what they are getting, rather than trying to find funding from other areas. It will disproportionately affect those who already support the arts. Also, public facilities, meaning Nationwide Arena, should NOT be funded on the backs of much smaller organizations (like Ohio Roller Derby) who will never be able to make use of such facilities. • I love the CBJ, but they can fix their own roof. No thanks. • Ticket prices are already no longer feasible for young families and senior - since there are no senior discounts for most events - and if there are, they are insignificant

ADDENDUM: GCAC ADMISSION FEE PROPOSAL

Question #4: Do you support the Greater Columbus Arts Council proposal for a 7% fee?



YES	NO
<ul style="list-style-type: none"> • 7% on a ticket is completely fair. • I don't know if this is the right percentage, but it doesn't seem extreme. Complicated, but maybe it could be a sliding scale with a slightly smaller percentage on very expensive tickets? • "Not sure" should be an option - not just yes and no. It depends on how it is applied. No to Clubs/Bar cover charges. I also do think it should apply to all tickets, but the funds should not be used by sports. 	<ul style="list-style-type: none"> • Excessive percentage that attempts to hide the fact that it is not just to support arts funding • I think this amount is too high and serves to create barriers to persons with limited incomes and disincentives people to experience arts and cultural events. • 7% of what? Again, free arts and entertainment for the general public is best. There must be other ways of generating revenue. Perhaps side attractions that require a ticket? In an economy as seemingly healthy as this one (for some), it feels illogical that we suddenly can't afford to offer decent escapes for our citizens...all citizens...for free. • The proposed fee is a tax that will disproportionately harm small venues and aspiring artists and will shift opportunities away from those attempting to hold smaller scale events. • No funding for arena!! • too much - need less % - 2% • This is merely ANOTHER tax, and it falls on the general public, who are already overburdened by taxes at the local, state, and federal levels. • Just too much. Not practical. • Nothing greater than 3% • Stop giving tax breaks to all the developers. My property tax just went up. Put it to a vote. • Quit shoving the arena down our throats. Shut it down if its not self-supporting like it was promised to be. • I support a smaller amount 1-3% • My two main concerns are 1) the amount of money diverted to Nationwide Arena and 2) the impact to smaller arts orgs who depend on low ticket costs to entice customers

ADDENDUM: GCAC ADMISSION FEE PROPOSAL

Question #5: What are the important changes you'd recommend to Columbus City Council on how to invest in local arts and culture?

- Expand GCAC's services to include below market rate micro-loans to artists and organizations with a track record financially successful projects. This would allow GCAC to expand use the same funds for multiple projects.
- I think the small venue and athletic exemptions are overkill but probably politically required. Taxes are the price we pay for a civilized society, and a civilized society supports public arts for all, not just for those who have means.
- Invest in landed institutions that show need and are not otherwise supported by major institutions. Invest in individual artists.
- An additional funding mechanism that should be used is setting aside a certain percentage of large public and private development to support the arts and/or public art projects.
- Consider charging nominal fees for public events like the Arts Festival, require participation and investment from major institutes and beneficiaries of a vibrant arts community including the county and other municipalities.
- Make the process as varied and as transparent as possible.
- Allow GCAC to manage and disperse all of the proceeds from the tax, even if this requires enabling legislation to give them the authority similar to CML or Metro Parks.
- Pass legislation to allow the County to collect a building stabilization or building restoration fee from all tickets sold to events at public facilities, just a other cities across the country do for historic theaters, public markets, and arenas.
- Columbus and Franklin County government officials never met a tax they didn't like. I expect this one to be rammed down our throats as well.
- This is an incredible opportunity that will continue to make columbus competitive. This is a great step toward funding the arts, but not the final. The next step is to fund public art in our city with both public and private commitments.
- An additional \$1.00 on those who already attend cultural events.
- Featuring the work of artists at Council meetings; and in City Hall, as was once done (not sure if it is now) can illustrate the value local government places on the arts.
- Allow the arts to be free market . Adding 7 percent fee is just going to stop people from going to as many event. Why don't you require ticket master to pay a % .of what they charge to the city

ADDENDUM: GCAC ADMISSION FEE PROPOSAL

- Sports venues should not be supported with these funds. They have a much higher leakage rate than the arts.
- Support small arts in Columbus. If there is a ticket fee, a required percentage of the fee should also be allocated to small indie artists.
- Taking from those who have little to give to those who have plenty is a ludicrous idea.
- Maybe STOP handing out tax abatements and tax diversions with rampant abandon to corporations and the wealthiest property developers! At a minimum, you could place some restrictions on those getting these kinds of tax-payer-funded subsidies, like requiring the beneficiaries to publicly choose the budgets/ line items that they want the city to defund in order to award their tax incentive and they personally must announce this decision to those whose funding is being cut. If corporations and developers were held more accountable for the damage they inflict on our city by diverting public funds to their private profits, I believe fewer of them would seek the abatements, and because Columbus IS a desirable place to live and work, I do NOT believe that all companies would flee elsewhere. The resulting income can be used to fund the services that the city actually needs, including support for arts.
- Although counter intuitive, lower prices on tickets encourages people to buy tickets. Columbus should be subsidizing these events, not penalizing ticket buyers.
- More fundraising from wealthy donors, a fee on all development in the Short North, a parking fee rate increase to raise funds for the arts, more free events at public parks.
- Quit using the arts as an obvious ploy to fund the damn arena.
- Instead of taking from the arts to support the arts, why not take from some of the big business in town? Why not add a fee to Nationwide or Limited Brands? They should be the one's who help support the arts. I'm glad you decided on a less than 400 seats / \$10 and under exception but I still think adding to the cost 500 seat venues or \$15 shows to support a place like Nationwide Arena is ridiculous. Arts organizations struggle enough while Big Business Columbus rakes in tax breaks and big profits.



Re: Columbus Arts & Culture – Admissions Tax Research – Revised

Burges & Burges conducted research focused on admission taxes throughout the U.S. concentrated on non-profit exemptions, tax rates, and where the revenue was directed. We looked at cities similar to Columbus and cross-referenced them to arts organizations from the Arts and Economic Prosperity Studies conducted by the Americans for the Arts in 2012 and 2017 to create the following list:

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| — Charlotte, NC | — Phoenix, AZ |
| — Raleigh, NC | — San Diego, CA |
| — Austin, TX | — Sacramento, CA |
| — Indianapolis, IN | — Boulder, CO |
| — Kansas City, MO | — Seattle, WA |
| — St. Louis, MO | — Nashville, TN |
| — Louisville, KY | — Oklahoma City, OK |
| — Minneapolis, MN | — Jackson, MS |
| — Omaha, NE | — Portland, OR |

From this list, all cities have some type of admissions tax with the exception of San Diego and Sacramento. Our research also included Cleveland and Cincinnati, both of which have admissions taxes and were not included in the Americans for the Arts studies.

Compiling and reviewing news articles, studies, lawsuits, tax codes and other relevant information uncovered during the research process, we have come to the following conclusions:

- While small arts theaters and halls claim that an admission tax would hurt their attendance, few to none have data supporting those claims. An increase in admission prices does not necessarily correlate with a decrease in admission. Most studies about admissions taxes are focused on sporting events and stadium games, not impacts within the arts communities. There are a variety of factors that impact attendance and the composition of performing arts audiences outside of price. The concern is about the impact of an increased price on attendance, not necessarily a tax. Our research leads us to believe that it is highly unlikely incremental increases in tax, or price, reduce the size of audiences already paying current prices.
- There are a few exceptions when it comes to applying the admissions tax: Events in which the person(s) participating in the event are not paid or do not compete for money, religious or charitable events, free/complimentary admission tickets, venues that hold fewer than one thousand people, and certain nonprofits.
- The most common type of ticket tax is a broader sales tax that also covers admissions. These are generally at the state and county levels with occasional local sales taxes collected by the city.



Phoenix, Austin, Jackson, Oklahoma City, St. Louis, Louisville, Omaha, Kansas City, Charlotte and Raleigh all have a sales tax on admissions that apply to arts events. Their tax rates vary. In these communities nonprofits are generally exempt.

- Cincinnati and Boulder each have a designated admissions tax. Revenues are collected and distributed to the cities' general funds. Nonprofits are exempt.
- Revenue collected from a tax on admissions generally is distributed to the city or state's general revenue fund. Some exceptions include: Phoenix – Tourism & Sports Authority; Oklahoma City – 10.5% to Educational Reform Fund, 5% to Teachers Retirement Fund, 1% to Tourism Department and 83.6% to General Revenue Fund; Cleveland – City's General Revenue Fund
- North Carolina has a statewide sales tax on admissions that *does not* exclude nonprofits unless proceeds are given to the State or they are hosting a fundraiser to pay for the organizations activities only. Charlotte and Raleigh both have a combined rate of 7.25%. Money is collected and distributed to the counties.
- Cleveland has the highest admissions tax rate in Ohio, at 8% out of 63 municipalities (as of 2017), with about 80% of revenue collected from local sporting events. The admissions tax in Ohio only applies to places of amusement or entertainment, varying by city, focused on theaters, theme parks and sporting events. Nonprofits are exempt. Money collected from the tax goes into the city's general revenue fund. Cleveland is unique in that they successfully tax the secondary ticket market (online sales through third-party outlets). The tax on those purchases is only applicable when a buyer pays more than face value for a ticket, because an admissions tax is applied at the time of the original purchase, too. Currently, we have found no other city in our research that is actively involved with collecting admissions taxes on a secondary market.
- Indianapolis has the highest admissions tax rate we have found in our research thus far – a 10% countywide rate—on events held in the Lucas Oil Stadium, the Convention Center, Victory Field, and Conseco Fieldhouse. Nonprofits are exempt. Collected revenue is distributed to the Marion County Capital Improvement Board of Managers for highway and sewer improvements and bonds or leases entered into for such improvements.
- Seattle is singular with their admissions tax that directly supports the arts. There is a local tax of 5% with nonprofits exempt. Eighty percent of their revenue is given to the Office of Arts & Culture, which then distributes the funds to artists and arts organizations throughout the city. Remaining revenue is distributed to the city's general fund.
- Minneapolis has a local entertainment tax of 3% that taxes admissions to entertainment events (applies to arts events). Nonprofits are exempt. Revenue is collected and distributed to the city's



general fund to offset additional public safety costs associated with citywide entertainment activities.

- Nashville has an amusement tax with the second highest rate we have found thus far – 9.25%. This is a combined state and local tax on admission to amusement, recreational, and entertainment events, including those falling under the category of arts and culture. The revenue collected is distributed to the state and local general funds, with half of the collection put towards funding schools.
- Portland is uncommon with their specific local arts tax. They tax anyone over the age of 18-years-old and earning \$1,000 or more in annual income, except seniors or permanently disabled individuals, about \$35 per person on average. Collected revenue is distributed to six Portland school districts to support their arts programs and to the Regional Arts & Culture Council. The council distributes 95% of revenue received to nonprofit arts grants and arts city contracts.

Further research focused on the price of admission when applied to performing arts due to the concern that “price” and “tax” would carry the same meaning. Studies that correlate ticket price with attendance are generally conducted over sporting events and performance art, focusing mostly on audience composition and background. Following on additional research, we have come to the following conclusions:

- It is common for arts organizations to undercharge for tickets. This is most likely related to the fact that the ticket price is generally not considered the “full price” of attendance when one takes into account the cost of transportation, dining, and any other expenses associated with attending an arts event. Undercharging is also used when incentivizing donations and attempting to attract a broad audience.
- Educational attainment is a strong factor of arts participation and attendance, more so than income. The higher the education level, the more likely one is to attend an arts performance. However, any type of formal arts training and other similar social lifestyle factors carry more weight than education when it comes to attendance.
- Prices and geographical concentration are generally not correlated with participation.
- As in sporting events, quality of the product matters. Baseball fans are likely to attend games based on the competition, who is in the pitching lineup, etc. The same concept applies to performance art.
- Top reasons for not attending arts performances, in order, are: Unable to follow art in a foreign language; prefer not to precommit time; too expensive; and prefer other use of leisure time.



- Frequent art performance attendees are also the most frequent attendees of other leisure activities, including sporting events, movies, festivals, museums, and concerts.

It is important to note the performing arts face economic challenges unlike most other industries. The increased costs in the arts is accountable, according to Baumol and Bowen, to the lack of shortcuts in productivity. In other words, costs will increase without a corresponding increase in labor productivity. The same number of actors are needed in a play as were needed when it was first written, one cannot simply play a symphony faster to increase productivity, and the same number of musicians are needed in a symphony throughout the years, but now with higher wages; therefore, costs rise faster in performing arts than other industries.

Finally, another key takeaway is that each location is exceptional, and even though nonprofits are not typically taxed, we have found no evidence supporting why they should not be.

Tax Rates:

Study Region	Admissions Tax	Percentage
City of Phoenix (AZ)	Transaction Privilege (Sales) Tax	City - 2.3% County - 6%
Sacramento County (CA)	No	
City of San Diego (CA)	No	
City of Boulder (CO)	Admissions Tax	5%
City of Indianapolis (IN)	County Admissions Tax	10%
City of Louisville (KY)	Sales Tax on Admissions	6%
City of Minneapolis (MN)	Entertainment Tax	3%
Metropolitan Kansas City Area (MO/KS)	Sales Tax on Admissions (KS & MO)	Kansas City (MO)- 8.475%. Kansas City (KS) - 9.125%
Greater St. Louis Area (MO)	Sales Tax on Admissions	State - 4.225%, St. Louis - 8.679%
Greater Jackson Area (MS)	Sales Tax on Admissions	3%-7%
City of Raleigh (NC)	Privilege/ Sales Tax on Admissions	6.75% - 7.5% depending on county (4.75% state + local tax), Raleigh - 7.25%
Greater Charlotte Region (NC/SC)	Privilege/ Sales Tax on Admissions	6.75% - 7.5% depending on county (4.75% state + local tax), Charlotte - 7.25%
City of Omaha (NE)	Sales Tax on Admissions	State & Local - 7%
Greater Oklahoma City Region (OK)	Sales Tax on Admissions	City - 3.875%, State - 4.5% (8.375%)
Greater Portland Area (OR)	Arts Tax	\$35/person
Greater Nashville Regional Council (TN)	Amusement Tax	Nashville - 9.25% (7% state)



City of Austin (TX)	Sales Tax on Admissions	6.25% - 8.25% (Varies by city/county), Austin - 8.25%
City of Seattle (WA)	Admissions Tax	5%

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