



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

Burgess & Burgess 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:

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