

2016 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
49	2	A	1

Budget Action Title: Pass C.B. _____ - Nonprofit Admission Tax Exemption Ordinance

Has CIP Amendment: No Has Budget Proviso: No

Councilmembers: Harrell; O'Brien; Okamoto

Staff Analyst: Erik Sund

Council Bill or Resolution: TBD

Date		Total	SB	BH	JO	TR	NL	TB	JG	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

Budget Action description:

This green sheet would approve passage of Council Bill _____, which would permit the Director of the Department of Finance and Administrative Services (FAS) to issue a certificate of exemption from the City's admission tax to a qualifying nonprofit entity with retroactive application. A draft version of the proposed Council Bill is attached to this green sheet.

The admission tax is paid by persons who pay to enter a club, theater, or other location for entertainment or recreation. The venue is responsible for collecting the tax and remitting it to the City. The tax rate is 5% of the admission charge and the proceeds are shared between the General Subfund (25%) and the Municipal Arts Fund (75%). Separate legislation has been proposed that would increase the Municipal Arts Fund's share of admission tax revenue to 80%.

The Seattle Municipal Code (SMC) provides for a number of exemptions from admission tax. One such exemption is for nonprofit organizations. To qualify for the nonprofit exemption, an organization must apply to the Director of FAS and provide proof of its status as a federal tax exempt 501(c)(3), (4), or (6) entity. The organization must reapply for the certificate of exemption every five years.

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Current City law does not provide for retroactive application of the nonprofit exemption from admission tax, so an organization is liable for any admission tax that it should have collected up until the point of applying for and receiving a certificate of exemption. This is true even if an organization would have been eligible for the exemption from the beginning had it simply applied for certificate.

Council Bill _____ would allow the Director of FAS to issue a certificate of exemption to an organization with retroactive application, provided that the organization can supply proof that it was eligible for the entire period of retroactivity. This effectively holds the entity harmless for not having applied, except that if the organization had actually collected admission tax and not remitted it to the City, it would still owe those amounts.

This legislation would also remove from Code the requirement that an entity reapply for the nonprofit exemption certificate every five years, provided that the organization maintains a business license tax certificate and continues to meet the eligibility criteria.

Finally, this Council Bill would extend from 10 days to 30 days the period available for an entity to file an appeal with the Hearing Examiner in the event that its certificate of exemption is canceled.

The admission tax generated a total of approximately \$8.1 million of revenue for Arts Account and the General Subfund in 2014. This legislation would not expand eligibility for the admission tax exemption for nonprofit organizations; however, the City would effectively waive an indeterminate amount of back collections of admission tax that it might otherwise collect from organizations that did not apply for exemption in a timely manner.