



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	02/17/05	Bill No:	AB 655
Tax:	Admissions Surcharge	Author:	Leno
Related Bills:			

BILL SUMMARY

This bill would impose a 1% surcharge of the price of admission upon each patron of an entertainment venue, as defined. The surcharge would be administered by the Board.

ANALYSIS

Current Law

Under existing law, California does not impose a tax or surcharge on general admissions. However, various local communities impose an admissions tax. For example, the City of Santa Cruz imposes a 5 percent admissions tax; the City of San Mateo levies a 50 cent tax on admissions to horse or harness racing events; and the City of Fairfield levies an admission tax of \$5 for the privilege of playing golf.

At the state level, the State Athletic Commission levies a fee on admissions to boxing contests or wrestling exhibitions. The law requires the promoter or other organization conducting the boxing, kickboxing, martial arts, or wrestling contest to pay the commission a fee of 5% of the amount actually paid for admission to a contest, except that the fee may never be less than \$1,000 for a professional contest and \$500 for an amateur contest.

Proposed Law

This bill would add Chapter 9.7 (commencing with Section 8780) to Division 1 of Title 2 of the Government Code, to impose upon each patron of an entertainment venue a surcharge at the rate of 1 percent of the price of admission for the privilege of admission into the entertainment venue. The proposed surcharge would be administered by the Board.

The bill would define “entertainment venue” to mean all forms of entertainment, except race tracks, sporting events or entertainment conducted for the benefit or by a nonprofit organization, as specified, or a state or local entity.

The bill would require that the surcharge be collected by the organizer or producer of the entertainment venue and paid to the Board quarterly, separate from the remittance of any other fee.

The bill would require the Board to transmit the surcharge revenues to the Treasurer to be deposited to the credit of the California Arts Council Fund. The money in the fund would be appropriated to pay for the Board's cost of implementation and administration of the proposed surcharge, and specifies that cost in any fiscal year may not exceed 10 percent of the total amount of moneys deposited in the fund in that fiscal year. The balance of the fund would support the California Arts Council.

The bill would become operative January 1, 2006.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author. According to the author's office, the bill is intended to create an independent source of revenue for the California Arts Council. The author's office notes that the California arts community, the largest in the nation, brings in \$5.4 billion worth of economic development, including nearly 160,000 jobs and nearly \$300 million in tax revenues. Arts education programs in the state help improve test scores, bolster graduation rates and lower dropout rates. Despite this, California ranks 50 out of 50 states in public funding for the arts. The California Arts Council, which provides public grants for arts organizations across the spectrum, has a budget of less than \$3 million, hardly enough to support the grants programs. With the enactment of AB 655, the revenues from the surcharge would return to the arts and entertainment community through a variety of grants, in an attempt to promote California's artistic and cultural vitality and economic development.
2. **The bill should specify whether other admissions taxes or fees would be subject to the proposed surcharge.** The bill would impose the fee on the "price of admission"; however, it is unclear whether other locally-imposed fees, ticket surcharges, or other amounts added to the base price of the ticket would be included in the computation of this proposed surcharge.
3. **Bill should clearly define "race tracks", "sporting events" and "entertainment venues".** In order to properly administer a new surcharge such as the admissions surcharge proposed in this measure in California, it is imperative that all activities for which the surcharge is imposed and the person upon whom the tax is imposed be clearly defined in law. Without clear distinctions, administration and compliance of the proposed surcharge adds a significant level of complexity and disputes. For example, would the term "race tracks" include horse or harness racing? Would the wrestling matches conducted by World Wrestling Entertainment (formerly World Wrestling Federation) be regarded as sporting events? How about admissions paid to see the Harlem Globetrotters or a rodeo – are these regarded as sporting events? Would admissions to golf courses, bowling alleys, roller skating rinks, laser tag, pony rides, ski lifts be subject to the surcharge? Would cover charges to nightclubs be included? Would the tax be imposed when the admission charge is waived in exchange for goods or services? In addition, would the admission surcharge apply to admissions for events purchased in California but attended outside the state? Would the state be required to collect the surcharge on any entertainment venues it organizes?

4. **What if a ticket is resold?** Some entertainment venues, such as concerts, can be purchased directly from the box office for the face value of the ticket, from ticket agencies such as Bass or Ticketron, which add an additional service charge to the price of each ticket, or from ticket brokers who buy, sell, and trade tickets. Since the bill proposes that the tax be imposed on the organizer or producer, and that tickets can exchange ownership many times before it is actually used by the patron, provisions should address whether tickets purchased for resale are subject to the proposed surcharge.
5. **Would equipment rentals be subject to the proposed surcharge?** For example, if the charge to use equipment is the price of admission, would such charges be subject to the surcharge? This might include such rentals as golf carts, golf clubs, roller skates, ice skates, bowling shoes, paintball guns and equipment.
6. **Bill should incorporate administrative provisions.** Provisions governing payments, refunds, underpayments, returns, due dates, etc. should be incorporated into the bill. As the bill progresses, staff will work with the author’s office on this issue.
7. **Bill should have a delayed operative.** Since the bill is imposing a new surcharge on a group of taxpayers that are generally not already registered with the Board, it is suggested that the Board be given a minimum lead time of 6 months to administer the proposed surcharge.

COST ESTIMATE

Enactment of this measure would result in administrative costs attributable to preparing for, and administering a new program. An estimate of these costs is pending.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

According to the Economic Census, the receipts that apply to specified admissions to entertainment venues are estimated to be the following:

Kind of Business	Est. CA Admissions	One percent Surcharge
Performing Art Companies	\$ 286.1 million	\$ 2.9 million
Museums	\$ 30.1 million	\$ 0.3 million
Amusement Parks	\$ 937.9 million	\$ 9.4 million
Movie Theaters	\$1,122.0 million	\$11.2 million
Total	\$2,376.1 million	\$23.8 million

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board’s formal position

Revenue Estimate

The annual revenue increase from imposing a one percent surcharge on admissions to the above entertainment venues is estimated to be \$23.8 million (0.01 X \$2.38 billion). However, with more specificity with regard to the venues the author wishes to include and exclude, this estimate could change.

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