

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE related to exemption from admission tax; amending Section 5.40.085 of the Seattle Municipal Code.

Summary and background of the Legislation: This Ordinance 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. The admission tax is paid by persons who pay to enter a club, theater, other location for entertainment, recreation, or amusement. 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 Arts Account (75%). Separate legislation has been proposed that would increase the Arts Account’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.

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 being awarded 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.

This legislation 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 and 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.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.
 (If box is checked, please attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page.)

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Cost:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Please check one:

This legislation has direct financial implications. (If the legislation has direct fiscal impacts (appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" section.)

This legislation does not have direct financial implications.
 (Please skip to "Other Implications" section at the end of the document and answer questions a-i.)

Budget program(s) affected:	General Fund \$		Other \$	
	2015	2016	2015	2016
Estimated \$ Appropriation change:				
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2015	2016	2015	2016
Positions affected:	No. of Positions		Total FTE Change	
	2015	2016	2015	2016
Other departments affected:				

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.
 (If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues)

Fund Name and number	Dept	Budget Control Level Name/##*	2015 Appropriation Change	2016 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.
 (This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the

appropriation is not complete supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.)

Appropriations Notes:

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

(If this box is checked, please complete this section. If this box is not checked, please proceed to Positions)

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
TOTAL				

(This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?)

Revenue/Reimbursement Notes:

3.c. Positions

This legislation adds, changes, or deletes positions.

(If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications)

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2015 Positions	2015 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

(This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.)

Position Notes:

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

This ordinance would effectively provide an amnesty for admission tax collections owed on past admission charges for qualifying organizations, provided that they can prove that they were eligible for the exemption for the entire period of retroactive certification. The amount of forgone collections is difficult to estimate because the City does not know what organizations would be eligible for a certificate exemption but have not applied for it.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.)

- c) **Does this legislation affect any departments besides the originating department?**

(If so, please list the affected department(s), the nature of the impact (financial, operational, etc), and indicate which staff members in the other department(s) are aware of the proposed legislation.)

If admission tax revenues were reduced, there would be a financial impact on the Office of Arts and Culture.

- d) **Is a public hearing required for this legislation?**

(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)

- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

(For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.)

- f) **Does this legislation affect a piece of property?**

(If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.)

- g) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

(If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities.)

- h) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

(This answer should highlight measurable outputs and outcomes.)

- i) **Other Issues:**

List attachments/exhibits below: