



# Admissions Tax Proposed CMC Changes

January 2024

# Overview

- The City of Cincinnati Admissions Tax is governed by City of Cincinnati Charter Article VIII, Section 6b and CMC Section 309.
- The City of Cincinnati charges a 3% tax on all admissions which are receipted to the General Fund.
- The City is budgeted to receive \$8.7 million in FY2024 from the Admissions Tax.
- The Division of Treasury has been working with the Law Department on revisions to CMC Section 309 with the goal of:
  - Modernizing and clarifying the Admissions Tax regulations.
  - Defining a new class of “marketplace facilitators” that would owe admissions taxes on admissions sold or resold on their platforms.

# Admissions Tax – City/Metro Comparison

The City of Cincinnati has the lowest admissions tax rate among the largest Ohio cities and other comparable metro areas as follows:

City / Metro	Admissions Tax Rate	Professional Teams	Sales Tax Rate	Combined Tax Rate
Columbus	5.00%	2	7.50%	12.50%
Indianapolis	10.00%	2	7.00%	17.00%
Seattle	5.00%	4	10.25%	15.25%
Nashville	9.25%	3	9.25%	18.50%
Cleveland	8.00%	3	8.00%	16.00%
Pittsburgh	5.00%	3	7.00%	12.00%
Cincinnati	3.00%	3	7.80%	10.80%

# Proposed CMC Revisions

## Resale Admissions

- The City currently taxes resale admissions but the compliance rate is low.
- Proposing a new taxpayer type called “marketplace facilitators” (e.g., Stubhub and Seat Geek) to ensure taxes on secondary market sales are remitted.
- If a ticket broker takes ownership of a ticket, then resells it, they are required to charge, collect, and remit admissions taxes on the resale portion. Marketplace facilitators do not often take ownership of the admission. Rather, they merely connect the owner of a ticket with a buyer.
- The City eliminates the administrative difficulty of collecting taxes from individual ticket resellers and puts the requirement on the operator of the marketplace.

# Proposed CMC Revisions

## Tax Exemptions

- The city currently provides admissions tax exemptions to the following groups:
  - *Religious, educational, or charitable* organizations per IRS 501(c)(3), provided that no part of net earnings inure to the benefit of a private stockholder or individual ; *Military organizations; Employees or employee organizations of any Hamilton County municipality; County agricultural society.*
- Changes to the CMC; modernize the CMC to meet current legal standards and provide clarity
- Introduce a two-tiered exemption structure
  - By Right - The City would not require an exemption application for Federal, State, or Local Governments/Political Subdivisions; and
  - By Application Addition – require organizations currently exempt to apply for an exemption, examples include Cincinnati Zoo, Cincinnati Symphony:
    - i. Clarify that no exemption will be granted for tickets sold prior to exemption approval in rules and/or CMC;
    - ii. Current code requires that exempt Religious, educational, or charitable organizations per IRS 501(c)(3) receive “substantial support from voluntary contributions.”

# Proposed CMC Revisions

## Taxed Activities

- The legal definition of an “admission” is quite broad and provides the City powers to tax beyond just concerts and sporting events, such as: “Private” club fees; gym memberships; races; and tennis or golf club membership fees.
- The City’s Admissions Tax applies to a broad range of activities (eg. concerts, sporting events, movie theatres, golf courses, dance halls, etc.).
- Update the CMC definition of activities that owe the Admissions Tax and provide clarifying language on the Admissions Tax owed.
- Establish a rational basis made if the City limits taxable admissions to those that involve entry to a place “for the purpose of entertainment or recreation.”
- We can use this reasoning to exclude certain places, such as gyms or spas, where there is an admission-like charge, but the City does not currently plan to tax these places.

# Additional Considerations

Status Quo	Recommendation
License Period	
<p>Admissions tax license applications are accepted throughout the year and expire one year from issuance.</p>	<p>Change the expiration deadline to December 31<sup>st</sup> for all institutions which will ease the administration of the program as well as reduce confusion for licensees.</p> <p>Current licensees will need to be educated on new regulations.</p>
Appeals	
<p>Any appeals are heard by “the city manager or his or her designee.” Currently, Treasury would refer appeals to OAH.</p>	<p>Law is working to manage the capacity of OAH and recommends the Finance Director be named as the CM Designee for appeals.</p> <p>This would allow Finance to reconsider suspensions, penalties, or fines internally according to a new appeals process.</p>

- Finance has established rules and regulations to clarify and summarize changes to the CMC

# Recommended Next Steps

- City Council to adopt the recommended revisions to the CMC Sec. 309 by February 7<sup>th</sup>.
- Send notification to affected non-profit agencies and to ticket vendors of the approved changes by February 15<sup>th</sup>.
- The CMC changes will be effective April 1<sup>st</sup>.



Questions?