



CITY OF KIRKLAND

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Ellen Miller-Wolfe, Economic Development Manager
Robin S. Jenkinson, City Attorney

Date: January 9, 2014

Subject: AMENDMENT TO SECTION 5.12.020 OF THE KIRKLAND MUNICIPAL CODE
PERTAINING TO THE ADMISSIONS TAX

Recommendation

That the City Council approves an amendment to Section 5.12.020 of the Kirkland Municipal Code and authorizes the elimination of admissions taxes for existing first-run movie theaters in Kirkland that convert to digital projectors for a period beginning on the date of transition to digital technology and ending on June 30, 2017.

Background Discussion

For the last several years, movie theaters nationwide have been converting projection equipment from 35-millimeter film to digital movies in order to be able to show current films. The conversion is expensive and while the film industry has created several financing mechanisms designed to off-set some of the upfront costs of a new digital projector, it can be difficult for smaller theaters to qualify. Starting this winter, it will become essentially impossible for the theaters that have not made the conversion to find first-run films from major studios on 35-millimeter or the cost of doing so will be prohibitive. As a result, smaller theaters will have to settle for showing older or independent films or go out of business.

Movies are traditional forms of entertainment that appeal to a wide segment of the population. Theaters and other entertainment venues are key elements to successful, thriving business districts as they draw many patrons to the area. This often results in spillover effects to other businesses from a movie excursion including shopping or dining out in the vicinity of the theater.

If the amendment is approved, the goal is that revenue saved by existing movie theaters operated in Kirkland would be invested in the transition to digital projectors. The elimination of the admissions tax applies only after the conversion to digital projectors has occurred and sunsets on June 30, 2017.

The Finance Department estimates that adopting this amendment will result in a reduction to the admissions tax revenue of \$39,000 annually through June 30, 2017. However, if there were no first-run Kirkland movie theaters, the loss would be up to \$39,000 annually far beyond 2017 unless and until a new theater opened in the City. This action would not apply to new first-run theaters that open after January 1, 2014. By approving this amendment, the City will be encouraging first-run Kirkland movie theaters to remain competitive with other regional theaters and continue to provide community gathering places that are catalysts for other business activity.

ORDINANCE O-4433

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO ADMISSIONS TAX AND AMENDING SECTION 5.12.020 OF THE KIRKLAND MUNICIPAL CODE.

The City Council of the City of Kirkland do ordain as follows:

Section 1. Kirkland Municipal Code Section 5.12.020 is amended as follows:

5.12.020 Imposition of tax—Rate.

(a) There is hereby levied and imposed a tax upon every person without regard to age, who pays an admission charge as defined in Section 5.12.010; provided, that as contemplated by RCW 35.21.280 and 36.38.010, such tax shall not apply as to any person paying an admission charge to any activity of any elementary or secondary school. The tax here imposed shall be in the amount of five percent on each admission charge or charge for season or series ticket. Any fraction of tax of one-half cent or more shall result in a tax of the next highest full cent.

(b) The tax imposed by this section on a theater operating in Kirkland as of January 1, 2014 and showing motion pictures at least five days per week, six months out of the year, and using digital technology to project motion pictures, shall be reduced to ~~the amount of two and one-half percent~~ zero on each admission charge, beginning on the date the transition to digital technology occurs and ending no later than June 30, 2017.

(c) Amounts paid for admission by season ticket or subscription shall be exempt if the amount which would be charged to the holder or subscriber for a single admission is fifteen cents or less.

(d) Any person having the use of a box or seat, permanently or for a specified period, shall pay in addition to the tax required for admission, under subdivision (a) of this section, a tax of five percent of the price of such box or seat, the same to be collected and remitted in the manner provided in Section 5.12.070 hereof by the person selling such tickets.

Section 2. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this _____ day of _____, 2014.

Signed in authentication thereof this _____ day of _____, 2014.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney