



CITY OF KIRKLAND

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Ellen Miller-Wolfe, Economic Development Manager

Date: January 23, 2013

Subject: Amendment to Section 5.12.020 of the Kirkland Municipal Code Pertaining to the Admissions Tax

Recommendation

That the City Council approves the amendment to Section 5.12.020 of the Kirkland Municipal Code and authorize the reduction of admissions taxes for movie theatres that convert to digital projectors from 5.0% to 2.5% for a period terminating on June 30, 2017 from the date of transition to digital technology.

Background Discussion

For the last several years movie theatres nationwide have been converting their projection equipment from reel to reel to digital formats in order to be able to show current films. The conversion is expensive and smaller theaters are often unable to afford the conversion without debt financing the new projectors. According to one theatre operator, by April, 2013, movie studios will be phasing out film versions of new movies and digital-only films will be the preferred if not the only option for theatre owners wanting to show first-run films.

Movies are traditional forms of entertainment that appeal to a wide segment of the population. Theatres 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 theatre.

If the amendment is approved, the goal is that revenue saved by existing movie theatres operating in Kirkland would be invested toward transitioning to digital projectors. Similarly, the savings could be an enticement to new movie theatres to locate in Kirkland. The reduced admissions tax only applies after 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 in admissions tax revenue of \$23,000 annually. However if there were no first run movie theaters in Kirkland, the loss would be \$46,000 annually. By approving this change the City will be encouraging first-run movie theatres that are competitive with other regional theatres, and continue to provide community gathering places that are catalysts for other business activity.

ORDINANCE O-4400

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 Section 5.12.020 on a theater 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 on each admission charge, beginning on the date the transition to digital technology occurs and ending no later than June 30, 2017.

(bc) 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.

(ed) 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 _____, 2013.

Signed in authentication thereof this _____ day of _____, 2013.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney