



CITY OF KIRKLAND

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Kevin Raymond, City Attorney
Hillary Evans Graber, Special Assistant City Attorney

Date: June 9, 2020

Subject: AN ORDINANCE OF THE CITY OF KIRKLAND, AMENDING CHAPTER 5.12 OF THE KIRKLAND MUNICIPAL CODE RELATING TO ADMISSIONS TAX AND NONPROFIT TAX-EXEMPT ORGANIZATIONS.

RECOMMENDATION:

City Council pass the attached ordinance amending Chapter 5.12 of the Kirkland Municipal Code ("KMC") to allow for nonprofit tax exempt performing arts organizations ("nonprofit organizations") who are subject to the Admissions Tax to receive a rebate of the such taxes collected. This ordinance would also allow a similar exemption to nonprofit tax-exempt community service organizations who are subject to the tax upon approval of the Council by resolution.

BACKGROUND DISCUSSION:

The original version of this ordinance was presented to the Council at the June 2 Council meeting. Comments received from the Council were that the original draft ordinance was broader than the intended purpose and allowed rebates to all non-profit organizations. The Council preferred to narrow the rebate to nonprofit tax-exempt performing arts organizations in Kirkland. The Nonprofit, tax-exempt organizations offer many significant public benefits to Kirkland residents and visitors. In particular, performing arts organizations like Studio East Mainstage Theater ("Studio East") and the Kirkland Performance Center ("KPC") provide, in addition to community-building entertainment, significant educational benefits to the community including scholarship opportunities, the generation of cultural awareness, the creation and support of various programs in local schools, community outreach, and classes and camp offerings to community youth. For example, in 2019, Studio East provided \$80,000 worth of ticket discounts and free tickets to over 11,000 school children and families attending performances in Kirkland, conducted 31 outreach projects in 19 schools serving 828 school children, and provided \$30,000 in scholarships and work study credit to students.

Similarly, the KPC provides multiple school matinees for students at free or discounted ticket prices, scholarships for students as needed, experiential education for high school and university students to develop skills in technical theater and arts administration, and hundreds of donated tickets each year to fellow nonprofit organizations to help with their fundraising efforts and connect even more people within our community.

The City's Admissions Tax currently charges five percent of the established ticket price for events within the City. By approving this Ordinance, the City Council would support the rebating that amount back to the nonprofit tax-exempt performing arts organizations in the Kirkland community, thereby supporting their programs. This rebate is already provided to KPC through its facility lease with the City. This ordinance would codify that understanding and add other similarly situated nonprofit tax-exempt performing arts organizations in Kirkland, such as Studio East.

Additionally, this ordinance creates a provision codifying the Councils' current practice of occasionally rebating Admission Tax revenue to non-profit tax-exempt community service organizations that donate the proceeds to human service agencies and other local charitable causes. The ordinance clarifies that the Council can provide this rebate on a case-by-case basis by adopting a resolution outlining the benefits to the community of providing the tax rebate to the service organization.

Please note that Chapter 5.12 KMC refers to both "admissions taxes" and "admissions charges." In the current code they are treated as synonymous. At some point, we will "clean up" this chapter to refer only to "admissions taxes," which is the term used in the ordinance now before the Council.

Attachment 1: Ordinance 4726

Attachment 2: Publication Summary