

Amusement Tax from Street Fests

Amusement Tax from Street Fests: The City's amusement tax does not apply to the donations suggested for attending neighborhood street fests.

Background

The City's amusement tax is imposed on amusement activities in Chicago including sporting events, theater productions, and a variety of other entertainment activities. The tax rate is 5 percent of the fee paid to witness in-person live theatrical, live musical, or other live cultural performances that take place in a venue whose maximum capacity is more than 750 persons. For all other types of amusement activities – including sporting events and non-live entertainment – the tax rate is 9 percent of the fee paid to enter, witness, view, or participate in the amusement. The tax does not apply to admission fees for in-person live theatrical, live musical, or other live cultural performances that take place in a venue whose maximum capacity is not more than 750 persons.

Over the past two years, the City phased-out the partial exemption from this tax that cable television companies had received in prior years, and the 2015 budget eliminated the exemptions that applied to skybox and other special seating packages and the resale of permanent seat licenses at sports stadiums. A significant portion of amusement tax revenue comes from large sporting events, and revenues from these taxes vary significantly from year to year based on the relative success of Chicago's professional sports teams and ticket prices for such sporting events. Amusement taxes generated \$112.9 million in 2014. As a result of the elimination of exemptions, rising ticket prices, and the Blackhawks' post-season performance, the City anticipates \$135.6 million in amusement tax revenue in 2015.

Each year, the City issues permits for approximately 700 special event street closures – this includes neighborhood festivals and athletic events. Organizers of these events must obtain a variety of permits – to close streets; erect barricades, tents, stages, and signs; sell food, alcohol, and merchandise; and offer rides or games.

Revenue Impact

Because attendance records are not required from fest organizers, the City does not have an estimated total number of attendees at neighborhood festivals. If fest organizers were to charge an entry fee the City, would receive 5 cents per dollar of charged admission. An admission fee of \$5 would result in 25 cents of amusement tax revenue for the City, assuming no loss in collections or enforcement issues. Fest organizers would likely pass this tax on to attendees.

Legal Authority

Under the Public Trust Doctrine established by the Illinois Supreme Court, a municipality cannot grant a request for private use of the public way where access will be restricted by requiring an individual to pay an admission fee to enter the public way. This prevents fest organizers from charging a mandatory entry fee. Many organizers instead have requested a suggested donation amount for entry into street fests and events. The amusement tax applies only to "admission fees or other charges paid for the privilege to enter, to witness, to view or to participate in such amusement," and the City does not have home rule authority to tax a donation.