

Admission Taxes



NATIONAL ASSOCIATION
OF THEATRE OWNERS

Talking Points

- State budgets are tighter than they have been for many years. In response, state and local governments have proposed admission taxes. Fortunately, NATO regional units are savvy veterans in the fight against admissions taxes, with **successful campaigns in Nevada, Michigan, North Carolina and elsewhere.**
- One of the quickest ways to kill an economic recovery is with heavy taxation, especially on things that remain popular and affordable during hard times. What is generally true of taxation is especially true of taxes on movie tickets, which are:
 - **Regressive**, striking at the most democratic and accessible form of out-of-home entertainment available to millions of Americans;
 - **Counterproductive**, because the lost tax revenue from lost ticket sales may surpass the tax-hike revenue;
 - **Often unfairly duplicative**, because of other entertainment-specific taxes (such as a film rental tax, as New York exhibitors currently pay);
 - **Negative multipliers**, because a downturn in the movie industry directly affects restaurants, malls, and other retail sectors that depend on movie traffic in the surrounding area. Fewer moviegoers means fewer patrons at surrounding retail outlets and more business failures.
- Going to the movies is the **most affordable form of out-of-home entertainment**, drawing substantial numbers of fixed- and lower-income people, including senior citizens. Increasing admissions taxes is highly regressive and could put the cost of movie-going out of reach for those least able to pay more. In addition, increased admissions taxes could eliminate an affordable and safe recreational outlet for teenagers.
- The motion picture industry confronts competition from more sources than ever before. Consumers with such a range of entertainment options would react negatively to ticket price increases caused by new admissions taxes.
- Raising taxes on movie tickets hammers the movie industry and does not efficiently earn tax revenue for states. Movie theaters operate on slim margins and would be forced to raise ticket prices. Higher ticket prices cause decreased attendance (and consequently decreased taxable concession sales), and the state in turn would see **a decline in tax revenue** from theater admissions.
- Cinemas **forced to cut costs** in the face of an admissions tax increase, and its negative effect on attendance and concession sales, would be forced to lay off workers, cut jobs to senior citizens and teenagers, and eliminate employee benefits. Admission tax increases would result in **closed theaters**, particularly in small and lower-income communities, creating a ripple effect in the local economy, causing a decline in retail and restaurant traffic for neighboring businesses when patronage from the theater disappears.
- The **First Amendment** protects movies as an important form of free speech. Broadly based taxes, of course, do not threaten free speech. But taxes levied exclusively or primarily on protected activities have been held to violate the Constitution. Based on the specific facts of the cases, some courts have invalidated movie admission taxes as unconstitutional discrimination against free speech.