










National Association of Theatre Owners

## FACT SHEET **ADMISSION TAXES**

-  State and local budgets are tighter than they have been for many years. In response, some 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 and elsewhere.
-  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 non-mischievous recreational outlet for teenagers.
-  Furthermore, 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 movie theatres and does not efficiently earn tax revenue for states. Movie theatres only retain a small portion of the income generated at the box office and operate on slim margins. In response to an admission tax increase, theatres would be forced to raise ticket prices. Higher ticket prices in turn cause decreased attendance (and consequently decreased taxable concession sales), and the state in turn would see a decline in tax revenue from theatre admissions.
-  The cinema industry is a leader in employing young first-time job holders, as well as individuals with disabilities and elderly persons—workforce demographics that generally have difficulty finding employment in this down economy. Cinemas forced to cut costs in the face of an admissions tax increase, with its negative effect on attendance and concession sales, would have no other option than to lay off workers and cut jobs for senior citizens and teenagers.
-  Admission tax increases would result in closed theatres—particularly in small and lower-income communities where it is already difficult for theatre owners to keep the doors open due to the rising costs of doing business, the economic climate and the expense of the industry’s recent transition to digital projectors. This would create a ripple effect in the local economy, causing a decline in retail and restaurant traffic for neighboring businesses when patronage generated by the theatre disappears. In larger towns where cinemas are the anchor tenants for retail centers, a closed theatre makes it difficult for commercial landlords to garner other tenants especially in this challenging business environment.
-  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.