

# Amusement Tax Presentation

January 8, 2025



# Purpose

*This presentation provides an overview of the Amusement Tax as defined in City of Douglas Tax Code. It will also cover the basics of what the tax is, the types of activities it applies to, and how it has contributed to the city's revenue over the past years. Additionally, we will review the potential implications of making changes to this tax, including both the possible benefits and challenges.*





## General Fund

### FUNDS:

General Fund, Airport, Golf Course

### FUNCTION:

Public Safety, Public Works, Parks and Rec, Admin, Other.

### FUNDING:

**Taxes, State Shared Revenue,** User Fees, Lic & Permits, Inv

## Special Revenue Funds

### FUNDS:

HURF, Transit, Rico, Capital Projects, Debt

### FUNCTION:

Funds designated by law or for specific use

### FUNDING:

Gas Tax, Grants, Rico Seizures, Capital & Debt

## Enterprise Funds

### FUNDS:

Water, Sewer, Sanitation

### FUNCTION:

Business-type activities that are self-sustaining through operational revenue

### FUNDING:

User Revenue

## Internal Service Funds

### FUNDS:

Self Funded Insurance

### FUNCTION:

Use to charge the cost of individual activities to individual funds

### FUNDING:

Charges to individual departments

# What is Amusement Tax?

The tax rate shall be at an amount equal to three and eight-tenths percent (3.8%) of the gross income from the business activity upon every person engaging or continuing in the business of providing amusement that begins in the city or takes place entirely within the City



# Amusement tax business activities

Includes the following type or nature of businesses:

- (1) operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dance halls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.
- (2) health spas, fitness centers, dance studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities or instruction, whether on a per event use, or for long-term usage, such as membership fees (option H)

# Amusement Tax

- **Definition of Transaction Privilege Taxes (TPT):**  
TPT is a tax levied on businesses for the privilege of conducting business in a specific location. While the business is taxed, the cost is typically passed on to the consumer
- **Taxable Only on Purchases or Use:**  
TPT applies only when goods or services are purchased or used.
- **Amusement Tax Focuses on Non-Essential Goods and Services:**  
Amusement taxes, a category within TPT, target activities and services related to entertainment and leisure, such as movie tickets, concerts, and recreational events. These are considered non-essential wants rather than necessities
- **Encouraging Equitable Tax Distribution:**  
By taxing non-essential goods and services, the system ensures a fairer contribution from those who can afford leisure and entertainment, while protecting essential needs from additional taxation.



# City of Douglas numbers

Year	Amusement Tax	Total Sales Tax	% of total
2019	6,072.16	5,499,860.48	0.11%
2020	7,020.69*	7,400,531.78	0.09%
2021	5,613.67*	8,955,373.06	0.06%
2022	10,627.80*	9,206,923.28	0.12%
2023	13,494.79*	10,275,477.22	0.13%
2024	17,095.97*	11,281,933.54	0.15%

\*One cent increase in late 2019 in consideration

# How do we compare?

- ❖ Douglas amusement tax is 3.8%
- ❖ Ranks #11 in the State
- ❖ In comparison:
  - ❖ Benson, Bisbee and Tombstone are #13 (3.5%), Sierra Vista #79 (1.95%)
- ❖ All 92 Cities and Towns tax amusement at their regular rate, except for Colorado City which taxes at 7%, 5% higher than their regular rate
- ❖ State average is 2.9%





# Pros and Cons

## PROS

- ❖ Possible increased tourism
- ❖ Support for local businesses
- ❖ Economic stimulation
- ❖ Enhanced community engagement

## CONS

- ❖ Loss of revenue
- ❖ Unequal impact
- ❖ Limited impact
- ❖ Short term gains vs Long-term sustainability
- ❖ Hard to reintroduce (if needed) if growth is attained

# Staff recommendations

- Temporary elimination of Amusement Sales Tax
- Sunset clause of 3 years and reassess:
  - Were more amusement activities attracted?
  - Did it have a significant impact on existing business? (expansion)
- Continue to monitor State legislature changes in tax policies and its effect on Cities
- Provides an opportunity to attract more amusement activities during this 3-year period
- Although growing, it has a minimal impact on current sales tax revenue

# Other options

- Section 5.04.410(a)(2) (local option H) of the Arizona Model City Tax Code pertains to the taxation of certain amusement activities such as health spas, fitness centers, dance studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities or instruction, whether on a per event use, or for long-term usage, such as membership fee
- This section is one that 35 cities and towns have exercised the option via ordinance
- The major taxpayers under Local Option #H are gyms and fitness centers like Lifetime Fitness, EOS, LA Fitness, Gold's Gym, etc.
- This represents approximately 48% of the City of Douglas total amusement tax revenue
- The option available is to exclude option H from the amusement taxable activities