

THE CITY OF SEATTLE
DIRECTOR'S RULE
IMPLEMENTING SEATTLE BUSINESS TAX ORDINANCE
RULE 5-900

Seattle Rule 5-900 Admission tax for nightclubs.

- (1) **Introduction.** This rule sets forth: (1) approved methods for counting the number of admissions to nightclubs; (2) record keeping requirements; (3) the use of complimentary admissions; and (4) clarification regarding the responsibility to collect and remit the admission tax.

- (2) **Tracking admissions.** This section sets forth approved methods for accurately counting the number of admissions to nightclubs currently approved by the Department of Executive Administration for tax reporting purposes.
 - (a) Approved methods of tracking. The following counting methods are approved by the Director:
 - (i) Serially numbered or reserve seat tickets;
 - (ii) Turnstile;
 - (iii) Cash register tapes; and
 - (iv) Counting methods pre-approved by the Director specific to a venue or event.

 - (b) Failure to use an approved counting method. Failure to use a counting method contained in this rule or otherwise approved by the Director shall be a violation of SMC Chapter 5.40 and subject to penalties set forth in SMC Chapter 5.55.

- (3) **Record keeping for admissions.**
 - (a) Every promoter, sponsor, venue, or anyone contractually related to such promoter, sponsor or venue shall be responsible for maintaining a spreadsheet to report the number of admissions for each day or evening activity or event. Such spreadsheet shall contain the following information:
 - (i) Date;
 - (ii) Time admissions started and ended;
 - (iii) Beginning and ending ticket numbers or turnstile numbers;
 - (iv) Promotions (such as ladies night, free before a certain time, etc.);
 - (v) Number of free admissions;
 - (vi) Number of complementary admissions;
 - (vii) Total number of admissions; and
 - (viii) Total number of paid admissions.

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Sample Spreadsheet:

Date	Time Admissions Started and Ended	Beg. Ticket No.	Ending Ticket No.	Promotions Offered During this Period	# of Free Admissions (jointly issued tickets)	# of Complimentary Tickets	Total Admissions	Total Paid Admissions

(b) Reporting of jointly issued tickets by participating nightclubs. Nightclubs participating in a joint admission program shall maintain a separate daily log that records the number of jointly issued tickets sold by that nightclub, and the number of free admissions provided to customers who purchased a jointly issued ticket elsewhere.

(4) Complimentary Admission.

Pursuant to SMC 5.40.053, anyone who is admitted free of charge to any place or for any event for which other persons pay an admission charge shall pay an admission tax measured by the full admission charge. However, the full admission charge may be adjusted under the following circumstances for purposes of calculating the measure of the tax:

- (a) Free admission promotion for general classifications. When a nightclub owner or promoter allows certain general classifications of the public to enter the nightclub free of charge such as women, members of the armed forces, or senior citizens, and such promotion is publicly advertised, admission taxes will not be due on such promotional admissions.
- (b) 2 for 1 promotions for the general public. Admission tax will be assessed on the price of 1 ticket.
- (c) Coupons. Nightclubs may accept coupons that allow reduced admissions if such coupons are accessible to the general public. Admission tax will be assessed on the reduced price of admission only when a qualifying coupon is used.
- (d) Passes. Nightclub owners may also sell monthly or yearly passes to frequent general public customers and the admission tax will be assessed on the selling price of the passes. (The passes may not be for a nominal amount and the sale of such passes must be tracked and accounted for in the club's accounting records.)

Admission from all such promotions or passes must be clearly tracked on the daily record sheet as required by Section 3 of this rule. Generally, performers or people assisting in the performance or activity may enter the event without paying an admission charge and no tax will be assessed on such admission.

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(5) Responsibility to collect and remit admission taxes.

- (a) Prior to commencement of the business, any person conducting or operating a business location to which an admission charge is made shall file an application for a certificate of registration with the Director to conduct or operate such activity pursuant to SMC Chapter 5.40.

- (b) Any person, including promoters, sponsors, venues, or anyone contractually related to such promoters, sponsors or venues who receives any payment for any admission charge on which a tax is levied under SMC chapter 5.40 shall collect the amount of the tax from the person making the admission payment at the time payment is made. The person receiving payment shall remit the same to the Director, and the admission tax collected under SMC Chapter 5.40 shall be deemed held in trust by the person required to collect the same until remitted to the Director. Persons failing to collect the admission tax, or who collects the tax but fails to remit the tax to the Director, shall be liable to the City for the amount of such tax.

Thus, even though the legal owner of the nightclub may delegate the function of collecting, accounting for, or paying the admission tax to a promoter, employee, manager, or another person, the person ultimately responsible for collecting, accounting for, or paying the admission tax for nightclubs under SMC 5.40.070 shall be the legal owner of the nightclub.

- (c) If any such person liable for the tax is a corporation, limited liability business or partnership, and fails to remit the admission tax collected or owed to the City, the City may then hold the officers and directors of a corporation, members of the limited liability company, or partners of a partnership liable for the admission tax since such funds are trust funds collected on behalf of the City.

Effective: _____, 2007.