



Proposed Amusement Tax Reduction

Date	September 21, 2022
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX22-101

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve a reduction in the City of Regina amusement tax levied on admission fees to commercial cinemas to a rate of 5 per cent from the current rate of 10 per cent, effective October 1, 2022, with one-tenth of total tax being retained by the theatre operators to cover their costs of collecting the amusement tax on behalf of the City;
2. Instruct the City Solicitor to amend the current *Amusement Tax Bylaw*, Bylaw 2003-102 to reflect this change, to be brought forward to the meeting of City Council following approval of the recommendations by Council; and
3. Approve these recommendations at its meeting on September 28, 2022.

ISSUE

This report proposes a reduction in the amusement tax rate charged by the City, including the rationale and implications of this proposal.

IMPACTS

Financial Impact

In an average, non-COVID-19 year, the current amusement tax raises approximately \$700,000 per year from the four commercial cinemas in Regina collecting amusement tax on behalf of the City. Due to the COVID-19 pandemic and the closure of businesses, the City only received amusement tax revenue of \$169,000 in 2020 and \$219,000 in 2021, although revenue trends are starting to return to pre-COVID-19 levels in 2022. The financial impact of this recommendation is estimated to be a revenue loss of \$350,000, the equivalent of a 0.12 per cent mill rate impact.

It is likely that this revenue loss would be offset by an expected revenue increase the City could receive through the Municipal Revenue Sharing (MRS) Grant funding as a result of the expansion of the provincial sales tax (PST) to admission, entertainment and recreation. The Province recently made changes to exempt gym and fitness memberships from the proposed PST expansion, and estimates that this revision would reduce the projected PST revenue increase as a result of the expansion by \$3 million. Taking into account this revision, the Province estimates that the PST expansion would generate total additional PST revenue of \$18 million. The MRS Grant formula allocates 12.5 per cent of PST (three-quarters of one full point of PST) to municipalities in Saskatchewan. Based on historical MRS allocation received by the City, it is projected that the City could receive an increase in MRS Grant funding of approximately \$350,000 due to the PST expansion.

The MRS Grant is allocated based on revenue collected from the fiscal year, two years prior to the current year. This means that PST revenue collected in 2022 will be allocated to municipalities in 2024. Therefore, it is expected that the first full year this additional revenue will be available to the City would be 2025 (based on 2023/2024 PST revenues collected by the Province). Therefore, there will be a net revenue reduction until 2025.

Legal Impact

If Council approves the recommended reduction in the amusement tax rate, an amendment to the current *Amusement Tax Bylaw*, Bylaw 2003-102 will be required to effect this change.

OTHER OPTIONS

Council could choose to eliminate the tax or maintain the 10 per cent amusement tax rate. If the amusement tax is eliminated, it will result in a revenue loss of \$700,000 or the equivalent of a 0.25 per cent mill rate increase.

COMMUNICATIONS

If Council approves the recommended reduction in the amusement tax rate, public communication will be provided to advise residents about the change in the *Amusement Tax Bylaw*. Communication will also be provided to stakeholders and entertainment venues impacted by the change.

DISCUSSION

Authority to Levy Amusement Tax

An amusement tax is a form of sales tax applied to consumption, as it is levied upon and payable by persons attending a place of amusement.

Section 279 of *The Cities Act* provides City Council with the authority to levy a tax on each admission to a place of amusement. This definition may include cinemas, arenas and stadiums hosting sporting events and various live entertainment venues. Through the current *Amusement Tax Bylaw*, Bylaw 2003-102, the City of Regina (the City) levies an amusement tax only on admission fees to commercial cinemas at a rate of 10 per cent of the admission price, with one-tenth of total tax being retained by the theatre operators to cover their costs of collecting the amusement tax on behalf of the City. The current amusement tax applies only to the four commercial cinemas operating in Regina, which include the Galaxy Cinema, Southland Cineplex, Landmark Cinemas and Rainbow Cinema.

On August 24, 2022, the Rainbow Cinema movie theatre in the Golden Mile mall announced that, with the theatre's lease coming to an end and lower attendance coming out of the pandemic, it will be closing this fall after nearly 25 years.

Engagement with Stakeholders on Potential Amusement Tax Changes

In fall 2021, the City conducted a stakeholder engagement on the amusement tax. The purpose of the engagement was to gain a more informed perspective of potential policy changes to the City's *Amusement Tax Bylaw* in terms of business recovery, collection of the amusement tax, and overall viability of a potential expanded amusement tax. At that time, Administration determined no changes to the Amusement Tax was required.

Provincial Sales Tax Expansion to Admissions, Entertainment and Recreation

As part of the Provincial 2022-23 Budget, the Saskatchewan Government announced that effective October 1, 2022, Provincial Sales Tax (PST) exemptions for certain sporting and entertainment events will be removed. Some examples of admissions/venues which are currently exempt but will become taxable, with some exceptions, include:

- admissions to sporting events, concerts and shows, movie theatres, museums, zoos and historical sites;

- admissions to fairs, rodeos, trade shows, arts and crafts shows;
- admissions to conferences and seminars;
- professional theatre tickets and subscriptions; and
- golf and curling fees and memberships.

In late August 2022, the Province announced further revisions to the PST expansion to rollback some of the changes. Specifically, the revision exempted gym and fitness memberships (e.g., hockey, golf, basketball, etc.) from the proposed PST expansion. Movie theatres will still charge the PST. The Province estimated that the impact of the revisions would be a \$3 million reduction in the PST revenue increase as a result of the expansion.

Generally, as reported in the media, this tax increase was not well received by the industry. With this tax increase by the Province, the City of Regina will be the highest taxed jurisdiction on movie tickets across Canada at a rate of 21 per cent (10 per cent amusement tax, 5 per cent GST and 6 per cent PST) as shown in tables below.

Tabel 1 - Taxes Applied To Movie Theatre Tickets as of Today						Table 2 - Taxes Applied to Movie Theatre Tickets as of October 1, 2022				
Region	GST/HST Rate	PST Rate	QST Rate	Municipal Tax Rate	Total Tax Rate	GST/HST Rate	PST Rate	QST Rate	Municipal Tax Rate	Total Tax Rate
BC	5%				5%	5%				5%
AB	5%				5%	5%				5%
SK	5%				5%	5%	6%			11%
SK Regina	5%			10%	15%	5%	6%		10%	21%
MB	5%				5%	5%				5%
MB Winnipeg	5%			10%	15%	5%			10%	15%
ON	13%				13%	13%				13%
QC	5%		9.98%		15%	5%		10%		15%
NB	15%				15%	15%				15%
NS	15%				15%	15%				15%
NL	15%				15%	15%				15%
PE	15%				15%	15%				15%

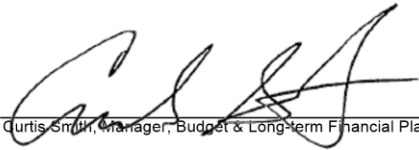
To remain competitive with other jurisdictions in Canada, Administration is recommending that the City's current amusement tax be reduced from 10 per cent to 5 per cent, effective October 1, 2022.

DECISION HISTORY

At its meeting held December 15, 2003, City Council passed Bylaw No. 2003-102, *The Amusement Tax Bylaw*, a bylaw to provide for an amusement tax on commercial cinemas operated in the City of Regina.

Respectfully submitted,

Respectfully submitted,



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9/1/2022



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

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