

# Simplifying the taxation of amusement, recreation and physical fitness services

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- Description** This proposal simplifies the taxation of amusement and recreation activities and physical fitness services by:
- Maintaining the current retail sales tax treatment for many amusement and recreation activities.
  - Making instruction charges for specified retail activities retail sales.
  - Specifying that instructional charges for golf, horseback riding, swimming and non-motorized snow sports are not retail sales.
  - Making charges for karaoke, cycling events, running events, the opportunity to dance and most league fees subject to service and other activities B&O tax and not subject to retail sales tax.
  - Simplifying the taxation of physical fitness services by:
    - Providing that generally all charges for the use of an athletic or fitness facility are retail sales, including charges for associated services and amenities.
    - Defining the term “athletic or fitness facility” as a facility or portion of a facility where one or more specified physical fitness activities occur.
  - Maintaining current exemptions for yoga, tai chi or qigong where no other physical fitness activities occur, but expanding the treatment as a retail sale to other martial arts.
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- Current Law** Under current law, a retail sale includes “amusement and recreation services” that include but are “not limited to golf, pool, billiards, skating, bowling, ski lifts and tows, day trips for sightseeing purposes, and others, when provided to consumers.” The sale of physical fitness services is also a retail sale. In addition, under the Department of Revenue’s historical interpretations:
- Participatory activities — those activities for which a person pays to participate — are amusement and recreation services and are subject to retail sales.
  - Passive or spectator activities — activities for which a person pays to watch or listen to — are not sales-taxable amusement and recreation services.
  - Charges for instruction to learn how to do various activities, such as golf, swimming and skiing, are neither amusement and recreation services nor physical fitness services, and are not subject to retail sales tax.
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## Simplifying the taxation of amusement, recreation and physical fitness services, Continued

### Revenue Impact

#### General Fund Impacts (\$ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
6,100	(\$0.6)	(\$1.4)	(\$2.0)	(\$1.7)	(\$1.8)	(\$3.5)

- *Estimates assume a July 1, 2015, effective date, representing 11 months of collections for FY 2016.*
- *Estimates reflect the September 2014 Economic and Revenue Forecast Council revenue forecast.*