

NATO of California/Nevada

PREVIEWS

Information for the California and Nevada Motion Picture Theatre Industry

CALENDAR of EVENTS & HOLIDAYS

Flag Day

June 14

Father's Day

June 15

Board of Directors Meeting

June 18

Membership Meeting

June 19

Independence Day

July 4

July 1

Nevada Minimum Wage increase

July 24

Federal Minimum Wage increase as it affects Nevada

Story on Page 4

NATO and MPAA to Legislature: Nix Flix Tax!

Amid concern over a state deficit estimated at \$17 billion and climbing, the California Board of Equalization has proposed an expanded list of services subject to the state sales tax that includes movie theatre tickets. If this tax were imposed, it is expected to add approximately 50 cents to the cost of a general admissions ticket. With the average general admission theatre ticket price in California at approximately \$9.50, this additional cost could push ticket prices beyond \$10, a psychological barrier to budget-conscious families in these lean times.

National Association of Theatre Owners of California/Nevada (NATO) and the Motion Picture Association of America (MPAA) sent a letter to state legislative leaders (see page 3) warning of potentially serious unforeseen consequences if the theatre tax is imposed. The joint NATO/MPAA letter points out, "A tax on ticket prices may reduce attendance, but even if it doesn't, it may reduce taxable snack bar purchases if the theatre patron has a set amount of money to spend. So the expected revenue generated by the tax increase may never be realized."

As of this writing, there has not yet been any action by the State Legislature on this proposal, but the budget debate just started in earnest with the Governor's May budget revision. Theatre owners stand ready to educate their customers on the tax proposal.

While it is not yet clear what will happen with the movie tax in California, it is relevant to consider a similar situation in a neighboring state. The State of Nevada faced a significant revenue



ANNUAL MEMBERSHIP MEETING UPDATE!

This is an important reminder that the Annual Membership Meeting of the National Association of Theatre Owners of California/Nevada will be held June 19 at the ArcLight Cinemas located in the Sherman Oaks Galleria in Los Angeles' San Fernando Valley.

Filmmaker Laura Ziskin, long one of Hollywood's leading producers, has been added to the program and will be delivering the keynote address. Our previously announced keynote speaker, Amy Pascal, will be unable to join us as she must attend the world premiere of "Hancock" in London at that time, an unanticipated but not unusual hazard encountered in our industry.



Laura Ziskin

The executive producer of the enormously successful, record-breaking trio of "Spiderman" movies, and the upcoming "Spiderman IV," Ms. Ziskin's impressive list of credits include "As Good As It Gets," which won seven Academy Award nominations including Best Picture, "Pretty Woman," "Dinner With Friends," "Hero," "To Die For," and "Murphy's Romance," among many other notable titles. Ms. Ziskin also served as president of Fox 2000, a production arm of 20th Century Fox, and produced the 2007 and 2002 Academy Awards presentation telecasts.

In 2005, Ms. Ziskin was honored with The Lifetime Achievement Award in Motion Pictures from the Producers Guild of America. She is also the recipient of the prestigious Crystal award presented by Women in Film in 2002.

Nix Flix Tax, continued on page 2

Meeting Update, continued on page 2

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Director, Member Services

Nix Flix Tax, continued from page 1

shortfall while drafting its 2003-5 budget. Governor Kenny Guinn proposed a tax of approximately seven to eight percent on all non-participatory entertainment activities as part of his budget proposal issued in January. When the legislature convened in early February, the overall tax plan had developed quite a bit of controversy.

NATO of CA/NV recognized a looming crisis of potentially severe proportions. A proposed tax on movie tickets in Nevada posed a threat to the motion picture industry nationwide. Since most of the 28 states currently without entertainment taxes also are experiencing revenue shortfalls, passage of the Nevada tax could have led to a domino effect of movie taxes throughout the country, and additional costs imposed on such a low-margin industry could have very negative effects on patronage and profitability.

In response, NATO of CA/NV initiated and underwrote a public affairs campaign to point out the potential impacts of the tax proposal. NATO's political strategy sought to benefit from the combined political weight of thousands of theatregoers throughout Nevada by educating and organizing them in opposition to the proposed entertainment tax. The campaign sent a clear message to patrons that theatre owners were helping them to defeat the proposed tax.

The main component of the program was designed to generate the maximum number of postcards from theatre patrons to their local legislators. NATO crafted a program that would be effective without interfering with normal theatre operations.

Legislators received over 20,000 cards in response to the program. Upon adjournment of the 72nd Nevada State Legislature, the proposed tax on movie tickets was not enacted.

The coming months around the California State Capitol will potentially see an epic drama worthy of a movie blockbuster as the theatre tax is debated. Let's hope for a happy Hollywood ending that cost-conscious theatregoers can cheer. ▼

Meeting Update, continued from page 1

We are very fortunate to have Ms. Ziskin join us, and are certain that her address will prove of great interest to our membership.

Also on the program is *Los Angeles Times* journalist John Horn, who covers the film business for the newspaper's Calendar section. The subject of Mr. Horn's talk will be *Movies and the Media: A film reporter's take on how the Los Angeles Times covers exhibition*.

Another important speaker at the meeting will be Terri Thomas, the Association's lobbyist in Sacramento, who will give an overview of current and recent activities pertaining to our industry, including an update on the California State Board of Equalization's proposed 5% movie theatre admission tax.

In addition to a review of business matters affecting the Association over the past year, other items on the agenda include the introduction of new officers and directors of the Association, and the announcement of winners of NATO of California/Nevada's scholarships for post-secondary education for field level employees and for spouses and dependent children of management.

A continental breakfast will be served starting at 9:00 a.m., with the program to begin at 10:00 a.m., and conclude by 12:00 p.m. A tour of the newly unveiled ArcLight Cinemas state-of-the-art showplace will be conducted at 9:30 a.m. ▼

Membership Meeting Registration

Visit the Seminars and Meetings section at www.NATOCalNev.org for registration form or send name, company, theatre location and email address to Office@NATOCalNev.org or via fax to 310.460.2901 by June 13th.

May 13, 2008

California State Legislature
State Capitol
Sacramento, CA 95814



Re: Board of Equalization proposal to tax movie theatre tickets

Dear Legislators,

We recognize that California is in the midst of a serious budget debate. Many potential sources of new revenue are being examined, including sales taxes on services such as movie theatre admissions. However, legislators should think very carefully before imposing a tax that could hurt local businesses more than it helps the state's bottom line.

Movie theatres are an important part of local economies. They provide employment to many first-time job seekers, to people needing flexible part-time schedules and to senior citizens re-entering the job market. Theatres provide a unique job opportunity to many Californians, with multiple avenues for advancement.

Theatres maintain an extremely tight operating margin due to the large mandatory overhead costs such as workers compensation, insurance, salaries, rent, upkeep, etc. It is only through careful management that theatre owners can turn a modest profit.

Higher ticket prices negatively affect attendance. Movies are popular with families, middle-income groups, and age groups with limited disposable income. Movie taxes, therefore, are highly regressive. Three out of four families with children attend movies as an affordable form of entertainment. Fifty-nine percent of our patrons have household income under \$60,000, and 27 percent under \$30,000. Economic studies of the theatre business have shown that ticket prices are the number one factor in determining admission levels.

With average general admissions ticket prices in California currently around \$9.25, applying sales tax would push the per-ticket cost to the \$10 mark, a psychological barrier to budget-conscious families in these lean times.

Taxing movie theaters places this form of entertainment at a competitive disadvantage because if residents watch a movie on pay-per-view at home, no sales tax is paid. As families start to economize on entertainment, box office receipts are already down more than six percent in the first quarter of 2008 compared to the previous year. Increasing ticket prices via a sales tax might start to drive the movie theatre industry into a downward spiral.

Taxing movie theatres could have wider detrimental effects on local economies, since a downturn in movie ticket sales would likely reverberate throughout local restaurant and retail sectors. Many restaurant and retail business benefit from movie-goers' spending before and after they see a film, and a drop-off in ticket sales could have a far reaching impact. A tax on ticket prices may reduce attendance, but even if it doesn't, it may reduce taxable snack bar purchases if the theatre patron has a set amount of money to spend. So the expected revenue generated by the tax increase may never be realized.

In addition, since Hollywood is an important part of California's corporate tax base, decreased ticket revenue could end up impacting overall tax revenue. Box-office returns are a closely-watched indicator of a film's commercial viability, which influences foreign distribution deals and DVD sales. Since California has by far the largest share of theatres in the U.S., a decline in ticket sales here could have far-reaching effects for the major studios.

Other states are enacting statutes to lure movie production out of California, which is detrimental to our state economy. Adding a tax to movie tickets sends a bad signal to one of our state's prized industries, which could cause further erosion of the industry. Let's keep our very special movie and entertainment industry healthy and growing in California by rejecting any proposals to tax movie tickets.

Please contact our representative, Terri Thomas, for more information at (916) 325-1010 or tthomas@thomadv.com.

Sincerely,

Milton I. Moritz
President and CEO
NATO of California/Nevada

Sincerely,

Dan Glickman
Chairman and CEO
Motion Picture Assn. of America

National Association of Theatre Owners
of California/Nevada
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INSIDE PREVIEWS

**NATO and MPAA to
Legislature:
NIX FLIX TAX!**

**ANNUAL MEMBERSHIP
MEETING UPDATE**
*Leading Filmmaker
Laura Ziskin Added to
Program*

**Letter to Legislators in
Opposition of Taxing
Movie Theatres**

**Nevada Minimum Wage
Increases**

ADDRESS SERVICE REQUESTED

Nevada Minimum Wage to Increase Twice in July

In November 2006, Nevada voters approved an amendment to the state constitution that created a two-tiered Nevada state minimum wage system. The lower Nevada minimum wage rate applies to employers who offer their employees and their dependents a qualified health insurance plan AND the health plan premium must not cost the employee more than 10 percent of his or her gross taxable income. An employer can also qualify for this lower rate if it has a bona fide collective bargaining agreement. The higher state minimum wage applies to all other employers.

Both of the Nevada minimum wages are assessed annually and can increase due to a change in the federal minimum wage or a cost of living adjustment (COLA) not to exceed three percent in a single year, whichever is higher. Changes to the Nevada minimum wages take effect on July 1.

On July 1, 2008, both Nevada minimum wages should increase by 70 cents (the difference between the old and new federal minimum wage). This will cause the lower Nevada wage to rise to \$6.00 (with a plan) and \$7.03 (without a plan).

Three weeks later, on July 24, 2008, the second increase in the federal minimum wage will go into effect, raising the federal minimum wage to \$6.55 an hour. At this time, if you pay your employees the lower Nevada minimum wage, you should increase that pay scale to the higher federal minimum wage of \$6.55. The higher Nevada minimum wage will continue to be \$7.03. ▼

