



POLICY BRIEF: TAXING ARTS AND CULTURE

On September 18, 2009, Governor Rendell negotiated a deal with the leadership of the state house and senate to raise additional revenues for his long-stalled state budget. The governor was determined to secure new tax revenues in order to forestall deep cuts in education, health care, and economic development. However, he was unable to win sufficient support from legislators of both parties for broad-based tax increases. Republicans in the state senate in particular argued that comprehensive tax increases would push the state further into economic recession. The September 18th compromise forged between the governor and house and senate leaders would impose a collection of new taxes, each of which could contribute a small portion of the new revenues the governor demanded.

One of the most controversial of the new revenue sources was the proposal to extend the state sales tax (6 percent in most of the state, 7 percent in Pittsburgh and the rest of Allegheny County, and soon to be 8 percent in Philadelphia), to cover the price of admission to performing arts, museums, historical sites, zoos and parks. Until now, nonprofit cultural organizations have been exempt from the sales tax. One immediate and vigorous objection to this measure focused on its disproportionate effect on Philadelphia, Pittsburgh, and other Pennsylvania cities where artistic and cultural institutions are known to be concentrated. Historically, cities have been the center of artistic and cultural activity, and the loudest protests against the measure have come from the Philadelphia and Pittsburgh arts communities.

Yet it would be a mistake to underestimate the presence of arts and cultural organizations beyond city boundaries. Admittedly, Philadelphia contains the most numerous and largest cultural institutions in southeastern Pennsylvania. Yet recent trends have altered the picture significantly. In fact, nonprofit cultural organizations are proliferating faster in the suburbs than in the city. We looked at a recent period (1995-2008) to see how the nonprofit arts sector was growing in both the city of Philadelphia and its surrounding suburbs. We found that although the number of such organizations had literally doubled in Philadelphia, the suburbs had seen an even faster rate of cultural start-ups (178 percent). Note, however, that the city’s arts institutions saw larger increases in their revenues and assets than their suburban counterparts, undoubtedly because the city contains the most established and largest organizations in the region.

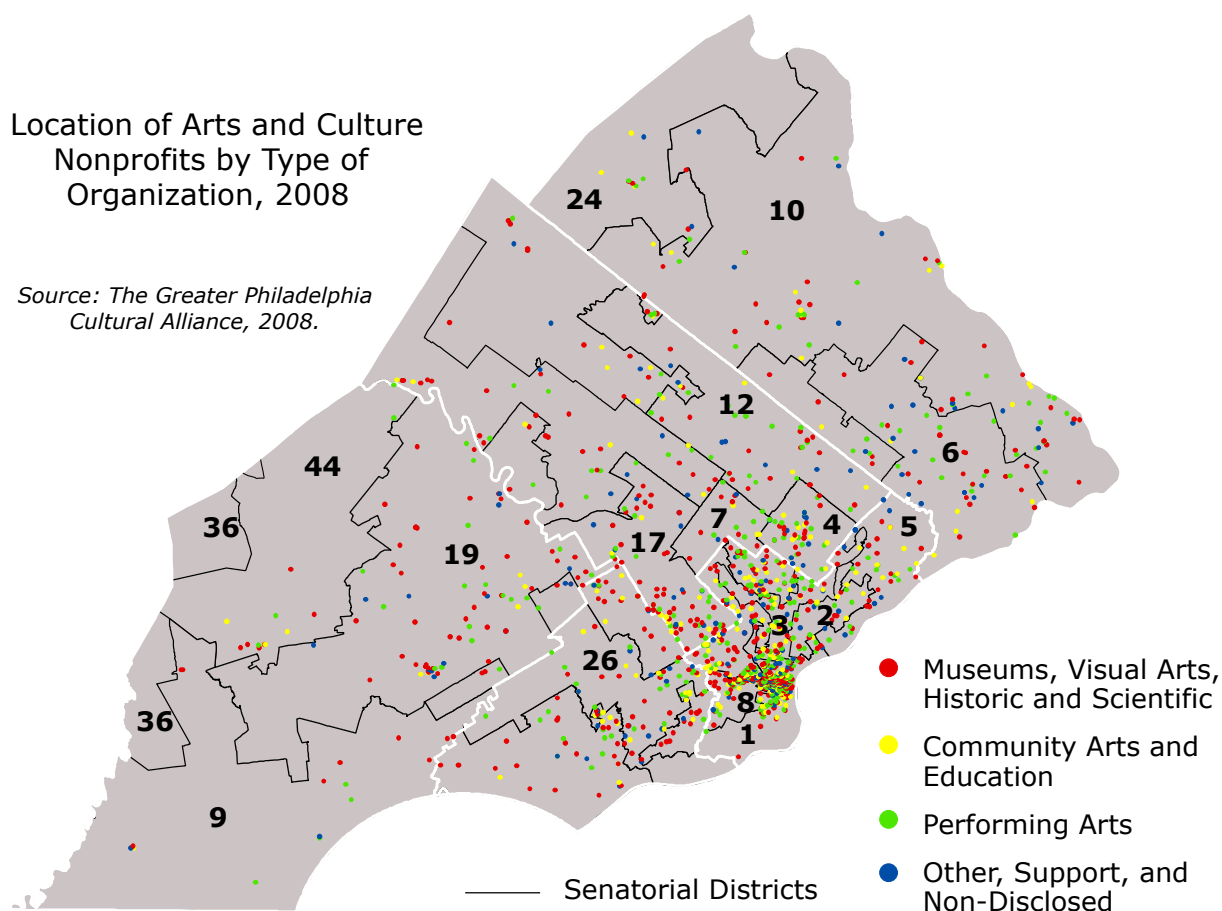
	No. of	No. of	Percentage change 1995-2008		
	orgs 1995	orgs 2008	No. of orgs	Revenues	Assets
Phila. arts organizations	252	505	+100%	+192%	+294%
Suburban arts organizations	205	570	+178%	+117%	+190%

Note: This data includes only those organizations who filed a 990 for the specified year.
Source: National Center for Charitable Statistics, 2009

Data from the National Center for Charitable Statistics tell us that nonprofit arts organizations are widely distributed across the suburban communities surrounding Philadelphia, so that virtually every senatorial district would be affected by the new tax. Among suburban senate districts with the most significant arts institutions are the 9th, which is home to the Brandywine River Museum and Longwood Gardens; the 10th, which includes the Michener Museum and other Doylestown institutions; and the 17th, which includes the Barnes Foundation.

Location of Arts and Culture Nonprofits by Type of Organization, 2008

Source: *The Greater Philadelphia Cultural Alliance, 2008.*



State Senatorial Districts in Southeastern Pennsylvania

1st	Lawrence Farnese (D)	10th	Charles McIlhinney (R)
2nd	Christine Tartaglione (D)	12th	Stewart Greenleaf (R)
3rd	Shirley Kitchen (D)	17th	Daylin Leach (D)
4th	Leanna Washington (D)	19th	Andrew Dinniman (D)
5th	Michael Stack (D)	24th	Robert Mensch (R)
6th	Robert Tomlinson (R)	26th	Edwin Erickson (R)
7th	Vincent Hughes (D)	36th	Michael Brubaker (R)
8th	Anthony H. Williams (D)	44th	John Rafferty (R)
9th	Dominic Pileggi (R)		

Although details of the proposal still have not been released, it apparently reserves some portion of the new sales tax revenues for a dedicated fund to support arts institutions, a goal long sought by the arts and culture community. How much of the revenues would be dedicated to this purpose and how these funds would be distributed are not yet known. For over twenty years, arts activists in Greater Philadelphia have debated the merits of a regional tax, which was usually assumed to be a regional sales tax similar to the one percent sales tax levied in Allegheny County that helps to support arts and culture in Pittsburgh. In the past, the debate about a regional arts tax has focused mainly on whether suburbanites should help the city preserve institutions that suburbanites enjoy visiting. The rationale has been that the zoo, the orchestra, the museums and other Philadelphia institutions are cultural assets drawing regional audiences and therefore deserving regional support. Yet the picture in southeastern PA is increasingly one of suburban expansion in the nonprofit arts and culture sector. Under these conditions, a regional tax base supporting culture would become a way to both raise money from the entire region and spend the proceeds across the entire region.