

August 19, 2011

DETERMINING THE 5% GROSS RECEIPTS TAX

Issue:

How is the 5% gross receipts tax, required under [Neb. Rev. Stat. § 81-8,135](#) for mixed martial arts (MMA), boxing, and wrestling matches or exhibitions, calculated?

Conclusion:

The 5% gross receipts tax applies to the cumulative face value of all tickets collected at an event, except for sponsorship tickets, minus state and federal taxes. The 5% tax will also be applied to the entire amount paid for any sponsorship or advertising package that includes sponsorship tickets, unless the licensee can demonstrate, to the satisfaction of the State Athletic Commissioner (Commissioner), the collective value of all sponsorship tickets, in which case the tax will be applied only to the collective value.

In addition, the number of complimentary tickets must not exceed 5% of the seating capacity of an event. Licensees may not sell, direct the sale of, or otherwise share in any revenue derived from the sale of any complimentary ticket. No ticket, except for complimentary tickets, may be sold for less than \$1.

Definitions:

Collective value. Collective value means the total number of all sponsorship tickets provided by any person or entity, multiplied by the highest face value of any non-sponsorship ticket in the same section.

Complimentary ticket. Complimentary ticket means any ticket or pass which is available to the general public and which is over-stamped "complimentary" or "free," or where the face value is indicated as \$0.00. A complimentary ticket does not include any "sponsorship ticket." Tickets or passes issued to the media, representatives of the Commissioner, or other necessary officials or event staff are not complimentary tickets.

Event. Event means an MMA, boxing, or wrestling match.

Sponsorship ticket. Sponsorship ticket means any ticket or pass provided as part of a sponsorship or advertising package.

Sponsorship or advertising package. Sponsorship or advertising package means a transaction where a person or entity makes a payment to a licensee in return for placing advertising at or during media coverage of an event.

Analysis:

[Neb. Rev. Stat. § 81-8,135](#) requires licensees to pay a 5% tax on the gross receipts of MMA, boxing, and wrestling matches.

[Neb. Rev. Stat. § 81-8,136](#) grants the Commissioner control and supervision of the sale of tickets and the issuing of complimentary tickets.

[Neb. Rev. Stat. § 81-8,139](#) grants the Commissioner the authority to issue regulations for the administration and enforcement of the applicable statutory sections.

Determining Gross Receipts:

For all tickets except sponsorship tickets, total gross receipts equals the cumulative face value of all tickets collected at an event, minus state and federal taxes.

Example 1. 100 tickets are collected at an event, none of which are sponsorship tickets.

- 20 have a face value of \$5 ($20 \times \$5 = \100);
- 30 have a face value of \$10 ($30 \times \$10 = \300); and
- 50 have a face value of \$12 ($50 \times \$12 = \600).

Result: The total gross receipts for this event is \$1,000. The tax is \$50 ($\$1,000 \times .05 = \50).

The 5% tax will also be applied to the entire amount paid for any sponsorship or advertising package that includes sponsorship tickets, minus state and federal taxes. If the licensee can demonstrate, to the satisfaction of the Commissioner, the collective value of all sponsorship tickets, the tax will be applied only to the collective value. The face value of sponsorship tickets is not determinative.

Example 2. A sponsor pays a promoter \$500 to advertise during an event. No tickets are provided to the sponsor. Because no sponsorship tickets have been provided, no 5% tax is owed on this transaction.

Example 3. A sponsor pays a promoter \$1,000 to advertise at an event. As part of this advertising package, the sponsor receives 10 tickets. These 10 tickets are sponsorship tickets. If the promoter cannot demonstrate the collective value of all 10 tickets, the 5% tax will be applied to the entire \$1,000 transaction. The 5% tax that is owed is \$50 ($\$1,000 \times .05 = \50).

Example 4. A sponsor pays a promoter \$1,000 to advertise at an event. As part of this advertising package, the sponsor receives 10 tickets. These 10 tickets are sponsorship tickets. Of these 10 tickets, five are located in Section A, and five are located in Section B. The highest non-sponsorship ticket face value in Section A is \$20, and the highest non-sponsorship ticket face value in Section B is \$10. Therefore, the promoter has established the sponsorship tickets' collective value is \$150. The 5% tax will be applied only to this \$150. The tax is \$7.50 ($\$150 \times .05 = \7.50).

Sponsorship Tickets Requirements:

Licensees must disclose to representatives of the Commissioner, in writing, the amount received for any sponsorship or advertising package that includes sponsorship tickets, and upon request, must provide signed copies of all contracts or agreements and a notarized copy of any check received for payment.

Once sponsorship tickets are provided to the person or entity purchasing advertising at or during media coverage of an event, these sponsorship tickets may not be resold. Licensees may not resell, direct the resale of, or otherwise derive any revenue from the resale of any sponsorship ticket.

Complimentary Ticket Restrictions:

The number of complimentary tickets must not exceed 5% of the seating capacity of an event. Tickets or passes issued to the media, representatives of the Commissioner, or other necessary officials or event staff do not count toward the 5% limitation. All complimentary tickets must be listed on a form showing the number of complimentary tickets issued and who approved the issuance. The completed form must be turned over to the supervising inspector with all other required reports.

Ticket Value Restrictions:

Licensees may not sell, direct the sale of, or otherwise share in any revenue derived from the sale of any complimentary ticket. All tickets must have a face value of at least \$1, except for complimentary tickets or tickets or passes issued to the media, representatives of Commissioner, or other necessary officials or event staff. In addition, licensees may not:

- Sell any ticket for an amount other than the face value;
- Direct the sale of any ticket for an amount other than face value; or
- Otherwise derive any revenue from the sale of any ticket sold at an amount other than face value.

APPROVED:



James M. Haynes
Acting Athletic Commissioner

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