



The county targets Lollapalooza's tax exemption

by [Jim DeRogatis](#) | Jan. 23, 2012

If the city won't reexamine the boondoggle of a tax break that the Daley administration gave Lollapalooza, even in the midst of an epic budget crisis, the county will.

Cook County Commissioner Bridget Gainer says she has heard from many of her North Side constituents complaining about the negative impact on their businesses caused by Lollapalooza, and its tax break adds insult to injury. "No tax is paid or reported," she says. "It's absurd."

As first noted [in the *Sun-Times* Thursday](#), Gainer has introduced a measure that would shift the responsibility of determining whether a non-profit group or event qualifies for an exemption from the 1.5 percent county amusement tax from the county revenue director to the board of commissioners. It is co-sponsored by four other commissioners—Earlean Collins, Deborah Sims, Joan Patricia Murphy, and Liz Doody Gorman—and Gainer said several Republican commissioners are likely to lend their support.

Although Lollapalooza is very much a for-profit event, it partners to apply for all of its licenses with the non-profit Parkways Foundation, a favorite group of former Mayor Daley and his late wife, Maggie. A long-term sweetheart deal negotiated in part by the festival's attorney and lobbyist, Daley nephew Mark Vanecko, exempts it from paying the 5 percent city amusement tax and the 1.5 percent county amusement tax, as well as the state sales tax levied on every other major event in Chicago—even though the municipal code clearly states that every big concert and sporting event must pay what's owed unless 100 percent of its profits go to charity.

Last year, Lollapalooza gave Parkways more than \$2 million for park improvements, but its gross revenues were more than \$21 million. The county got nothing from the event. The break on the city and county amusement tax saved the festival more than a million dollars, on top of the approximately \$1 million city officials say any other group would pay to commandeer Grant Park for more than a month at the height of the summer.

The loss in sales tax could be even more substantial, Gainer said, since local government has no idea what that cut of souvenir, food, and alcohol sales would even be. Parkways applies for the festival's liquor license, but as this blog has reported, actual sales are handled by a corporation co-owned by Texas promoters C3 Presents and local bar owner Kevin Killerman, a client and friend of Vanecko.

Gainer knows a lot about how both the Park District and Parkways should work: The energetic young progressive worked for the former as the director of Lakefront Parks until 2001, and she sat on the Parkways board until 2005, including the period when Lollapalooza first came to Chicago.

"This wasn't the way this [the Lollapalooza deal] was supposed to go down," Gainer says. Initially, it was considered a break to bring a speculative venture to Chicago. But Lollapalooza now has proven to be very successful and hardly in need of a benefit that no other major entertainment event is granted.

"If you don't need that kind of support to survive, it should be given to someone else... some other cultural event," Gainer says. She and her fellow board members approached the state's attorney about how best to rectify the situation, and Anita Alvarez's office recommended bringing the annual review of the Lollapalooza tax abatement under board control.

County commissioners will vote on the proposal on Feb. 1. Meanwhile, Gainer says Illinois Representative Sara Feigenholtz plans to examine the festival's waiver on the state sales tax.

Initially modeled on C3's Austin City Limits festival, Lollapalooza has become one of the most successful and profitable concerts of its kind in the world, and its owners since have expanded to stage similar events in Chile, Brazil, and Australia.

Cook County Board President Toni Preckwinkle had no comment on Gainer's initiative last week, and this reporter still is waiting for a response to questions about the county tax break posed to Preckwinkle's spokesperson last August.

At that time, after questions about Lollapalooza's tax break were raised by the Sun-Times and this blog and [harshly criticized in a strongly worded Tribune editorial](#), Mayor Rahm Emanuel pledged to ask for an independent review of Lollapalooza's break on the city amusement tax before this year's concert. Emanuel has recused himself from any negotiations with the concert because it is co-owned by C3 and William Morris Endeavor, the Hollywood talent agency run by his brother Ari, many of whose employees made substantial donations during the mayoral campaign.

[Chicago aldermen Joe Moreno and Scott Waguespack have also called](#) for a new look at Lollapalooza's sweetheart deal. But to date, as services are being slashed, fees and fines increased, and city employees laid off in record numbers, the city council has yet to turn its attention to the substantial revenues that have been waived from the music festival.