

Gainer, Cook County Board consider closing Lollapalooza tax loopholes

Taxloophole-apalooza

BY SHEILA SWANN

Bridget Gainer, Cook County Commissioner [10th] and the Cook County Board are reviewing a major loophole in the County amusement tax ordinance. The amendment would require the County Board to approve exemptions or waivers to the County's amusement tax where the loss to the County would be \$150,000 or more in tax revenue. In 2011, Lollapalooza's tax exemption from Cook County is estimated to be valued at \$350,000.

For the last seven year, the city and county have exempted Lollapalooza from paying the amusement taxes normally imposed on arts and athletic performances and even movies. In 2011 it saved the promoters over \$1 million in taxes. The city typically collects a 5% tax and the county a 1.5% tax on each ticket sold.

"In difficult budget times, we need to make sure that we close tax loopholes and re-examine deals that have outlived their usefulness," said Gainer. In lieu of paying amusement tax, sales tax or park permit fees, Lollapalooza has made a donation to Parkway Foundation, the charitable arm of the Chicago Park District [CPD]. In 2010

that donation came to about \$2.2 million.

Indeed many Chicago citizens are now asking if this giveaway is worth it considering that the city is now in the midst of the worst budget crisis in the city's history, when there are rampant layoffs everywhere, cutbacks in city services, and when Mayor Rahm Emanuel is at war with the city employees' unions or concessions and cutbacks?

Lollapalooza originally got its waiver from the amusement tax at the end of the administration of Mayor Richard M. Daley, whose nephew Mark Vanecko has been a lobbyist and lawyer for the festival promoters. Vanecko helped to negotiate their current 10-year contract with the CPD. The city's contract with Lollapalooza's promoters also stipulates that no similar festivals will happen in Grant Park as long as its deal is in effect. Additionally, the contracts that performers must agree to stipulates that they cannot play in a Chicago concert venue nine months before or after their performance at Lollapalooza, presumably penalizing bars, concert halls and stages all over the county.

The unprecedented and perhaps illegal exemption from the amusement tax was awarded to Lollapalooza promoters C3

Presents of Austin, Texas, and their 50/50 partners, William Morris Endeavor, the Hollywood talent agency run by the new mayor's brother, Ari Emanuel. In 2010 the promoters cleared over \$19 million in profits on the well-attended music summer festival in Grant Park.

"Lollapalooza is a success story, and a great example of how public tools like temporary tax abatements can be a catalyst for cultural entrepreneurship," said Gainer, who also served as the former Lakefront Parks Director and was a Parkway Foundation Board member at the launch of Lollapalooza. "Now that the festival is fully profitable, they no longer need government assistance. We should either take those resources to support other vital programs or we need to be looking for the next Lollapalooza."

The county was especially hurt by initially offering a tax exemption to Lollapalooza in the first place since, unlike the city, Parkway Foundation and CPD, at the end of the day the county isn't getting any of the concert revenues.

Gainer and other Commissioners are proposing that this year's Lollapalooza amusement tax revenues go towards hiring more young people in summer job programs

throughout the County.

Representative Sara Feigenholtz (12th) is working on addressing similar tax abatements at the State level. "I have asked for a hearing in the state House to look at how and why for-profit ventures are granted these tax exemptions. The state cannot afford to miss opportunities for revenue while at the same time struggle to close the state budget deficit and fund services, like education," said Rep. Feigenholtz.

A study commissioned by Alternative Schools Network (ASN) and prepared by Northeastern University's Center for Labor Market Studies outlines the dire statistics of youth employment in the city of Chicago. According to the study, 84% of Chicago teens were unemployed in 2009-2010. The situation is bleakest for African-American and Hispanic youth. The study showed 90% of African-American teens were jobless and 81% of Hispanic teens were unemployed.

"Chicago's private sector is hiring adults, not teens, leaving a whole generation of youth without the opportunity to find work," said Jack Wuest, executive director of ASN. "Research shows that if kids don't work in their teen years, they either won't find work in their twenties or they'll end up with low-level, low-paying jobs. Cook County Works could improve those figures if it had the extra revenue. Commissioner Gainer's plan will help keep over 100 young people off the street while teaching youth responsibility and critical skills for future success."