

**REPORT OF THE  
VIRGINIA DEPARTMENT OF TAXATION**

**Economic Impact of Nonstate  
Agency Cultural Institutions  
on the Commonwealth of Virginia**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 32**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
2005**

# ECONOMIC IMPACT OF NONSTATE AGENCY CULTURAL INSTITUTIONS ON THE COMMONWEALTH

## EXECUTIVE SUMMARY

**Conclusion:** There is no discernable correlation between the amount of appropriations to nonstate agency cultural institutions and the amount of sales tax collected by nearby businesses.

The 2004 General Assembly's House Joint Resolution 82 directed the Department of Taxation to "collect sales tax data pertaining to the economic impact of nonstate agency cultural institutions on the Commonwealth." The scope of the data collection was limited to businesses in the immediate vicinity of institutions receiving \$50,000 or more in state funds in one or more of the last five years, and located in the Cities of Norfolk, Lynchburg, Richmond, and Roanoke, and the County of Fairfax.

The Department identified institutions in the five localities that were appropriated at least \$50,000 in any one of the five fiscal years 1999 through 2003. Several organizations were eliminated from further consideration because they were no longer in existence, or merely provided funding for other organizations or projects. Forty-seven institutions, primarily museums and performing arts centers, were included in the study. A list is attached showing institutions studied in each of the five jurisdictions.

Each institution was visited by Department personnel and pertinent information was obtained about any businesses located at the institution (e.g., gift shop). Nearby businesses that collect sales tax from customers were then identified. In most cases, the immediate vicinity was interpreted as applying to businesses within the same block as the institution (including gift shops etc. within the institution), as well as businesses that face that block. In the case of institutions in rural and remote areas, however, businesses within a mile of the institution were included. One museum is located in a shopping center, and only the nearby stores in the center were included.

The Department then researched the sales tax returns filed by the institutions and surrounding businesses for five fiscal years 1999 through 2003. A summary of the results is shown in the attached table. Because of the small number of businesses in the vicinity of some of the institutions, the Department cannot provide a more detailed breakdown of the data without disclosing information that would effectively identify a taxpayer and the taxpayer's tax liability and gross sales. That would violate tax confidentiality required by *Virginia Code* § 58.1-3.

Inspection of the tables shows that there is no discernable correlation between the amount of appropriations and the amount of sales tax collected. Our review of the detailed data confirms the lack of correlation. In some cases, an institution received an appropriation in only one or two of the five years, but sales tax collections by businesses in the vicinity did not appear to be affected. It is noted that the study parameters do not address several variables that affect sales tax collection. Among the variables that could affect the results are:

- Hours of operation: A performing arts center may hold events on evenings and weekends when some nearby businesses are closed.
- Attendance: This study did not attempt to determine the impact of a state appropriation on an institution's attendance. Businesses that do not cater to casual traffic would not be affected by attendance at a nearby institution.

**ECONOMIC IMPACT OF NONSTATE AGENCY CULTURAL INSTITUTIONS ON THE COMMONWEALTH**

Nonstate Cultural Institutions Used In Data Collection For Economic Activity

	Nonstate Agency/Historical Landmark	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
1	Wolf Trap Foundation for the Performing Arts	\$ 375,000	\$ 1,125,000	\$ 1,000,000		
2	Women's Center, The		\$ 50,000		\$ 50,000	\$ -
3	Woodlawn Plantation, the National Trust for Historic Preservation for	\$ 50,000	\$ 50,000			
4	Fairfax Public Law Library, to the Library of Virginia for				\$ 89,566	\$ -
	<b>Totals for Fairfax</b>	<b>\$ 425,000</b>	<b>\$ 1,225,000</b>	<b>\$ 1,000,000</b>	<b>\$ 139,566</b>	<b>\$ -</b>
5	Amazement Square	\$ -	\$ 50,000		\$ 150,000	
6	Bear Mountain Indian Mission School (Monacan Indian Nation)	\$ -	\$ 75,000			
7	Lynchburg Academy of Music	\$ 100,000	\$ 300,000			
8	Virginia School for the Arts				\$ 50,000	\$ -
	<b>Totals for Lynchburg</b>	<b>\$ 100,000</b>	<b>\$ 425,000</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ -</b>
9	Chrysler Museum	\$ 900,000	\$ 1,475,000	\$ 400,000	\$ -	
10	Crispus Attucks Theater	\$ 150,000	\$ 150,000			
11	Friends of The Pagoda and Oriental Garden Foundation	\$ -	\$ 300,000			
12	Norfolk Botanical Garden Society, Inc.	\$ 175,000	\$ 210,000	\$ 100,000	\$ -	
13	Norfolk Senior Center	\$ -	\$ 183,000			
14	Schooner Virginia Project		\$ 750,000	\$ -	\$ 250,000	\$ 56,742
15	USS Wisconsin, to the National Maritime Center Foundation for the	\$ 100,000	\$ 200,000	\$ -	\$ 750,000	
16	Virginia Ballet Theater			\$ 60,000	\$ -	
17	Virginia Opera	\$ 50,000	\$ 100,000	\$ 100,000	\$ -	
18	Virginia Stage Company	\$ -	\$ 50,000			
19	Virginia Zoological Park, to the City of Norfolk for	\$ 100,000	\$ 200,000	\$ 50,000		
	<b>Totals for Norfolk</b>	<b>\$1,475,000</b>	<b>\$ 3,618,000</b>	<b>\$ 710,000</b>	<b>\$ 1,000,000</b>	<b>\$ 56,742</b>
20	Black History Museum and Cultural Center	\$ 100,000	\$ 200,000	\$ 140,000		\$ 70,927
21	Carpenter Center for the Performing Arts			\$ -	\$ 1,000,000	
22	Confederate Museum	\$ 70,000	\$ 70,000			
23	Children's Museum of Richmond	\$1,075,000	\$ 1,075,000	\$ 50,000	\$ 500,000	\$ 56,742
24	Good Neighbor Village		\$ -		\$ 89,566	

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Nonstate Cultural Institutions Used In Data Collection For Economic Activity

	Nonstate Agency/Historical Landmark	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
25	Lewis Ginter Botanical Gardens	\$ 100,000	\$ 100,000			
26	Maggie Walker High School Renovation			\$ 100,000	\$ -	
27	Maymont Foundation	\$ 600,000	\$ 900,000	\$ 200,000		\$ 56,742
28	Richmond Ballet	\$ -	\$ 100,000		\$ 50,000	
29	Richmond Historic Riverfront Canal Walk	\$ -	\$ 1,000,000			
30	Richmond Symphony	\$ -	\$ 50,000	\$ 75,000	\$ -	
31	Theater Virginia	\$ 50,000	\$ 50,000			
32	Theatre IV	\$ 25,000	\$ 125,000	\$ 50,000	\$ -	
33	Valentine Museum	\$ 50,000	\$ 50,000			
34	Virginia Historical Society		\$ 350,000	\$ 450,000		
35	Virginia Holocaust Museum	\$ -	\$ 125,000	\$ 76,500	\$ 23,500	
	<b>Totals for Richmond</b>	<b>\$2,070,000</b>	<b>\$ 4,195,000</b>	<b>\$ 1,141,500</b>	<b>\$ 1,663,066</b>	<b>\$ 184,411</b>

36	Western Virginia Foundation for the Arts and Sciences	\$ 500,000	\$ 500,000			
37	Art Museum of Western Virginia	\$ 150,000	\$ 440,442	\$ 325,000		\$ 100,000
38	Center in the Square (Western Virginia Foundation for the Arts and Sciences)			\$ 600,000	\$ -	\$ 140,000
39	History Museum and Historical Society of Western Virginia	\$ 25,000	\$ 50,000	\$ 75,000	\$ -	\$ 50,000
40	Mill Mountain Theater	\$ 100,000	\$ 100,000	\$ -	\$ 150,000	
41	Opera Roanoke	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	
42	Science Museum of Western Virginia	\$ 500,000	\$ 500,000	\$ 725,000	\$ -	\$ 112,917
43	Blue Ridge Zoological Society of Virginia (Mill Mountain Zoo)	\$ 27,500	\$ 177,500	\$ 150,709	\$ 99,291	\$ 100,000
44	Harrison Museum			\$ 75,000	\$ -	
45	Julian Stanley Wise Foundation (Rescue Squad Museum)	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	
46	Virginia Recreational Facilities Authority (Explore Park)	\$ 750,000	\$ 850,000	\$ 300,000	\$ -	\$ 70,927
47	Virginia Museum of Transportation	\$ 250,000	\$ 350,000	\$ 300,000	\$ -	\$ 50,000
	<b>Totals for Roanoke</b>	<b>\$2,402,500</b>	<b>\$ 3,067,942</b>	<b>\$ 2,650,709</b>	<b>\$ 249,291</b>	<b>\$ 623,844</b>

**Total State Funding**      \$6,972,500      \$12,730,942      \$ 5,052,209      \$ 3,162,357      \$ 864,997

**ECONOMIC IMPACT OF NONSTATE AGENCY CULTURAL INSTITUTIONS ON THE COMMONWEALTH**

Appropriations to Non-State Agency Cultural Institutions in Selected Localities  
And Sales Tax Collected By Businesses At and Near Those Institutions

	FY 99	FY 00	FY 01	FY 02	FY 03	Totals
<b>County of Fairfax</b>	Appropriations	1,225,000	1,000,000	139,566	-	2,789,566
	Sales Tax Collected	175,235	198,767	180,899	168,852	886,523
<b>City of Lynchburg</b>	Appropriations	100,000	-	200,000	-	725,000
	Sales Tax Collected	24,418	22,891	215,865	196,985	488,649
<b>City of Norfolk</b>	Appropriations	1,475,000	3,618,000	710,000	56,742	6,859,742
	Sales Tax Collected	91,157	510,085	581,626	600,532	2,129,044
<b>City of Richmond</b>	Appropriations	2,070,000	4,195,000	1,141,500	184,411	9,253,977
	Sales Tax Collected	647,000	962,998	996,987	946,246	4,506,249
<b>City of Roanoke</b>	Appropriations	2,402,500	3,067,942	2,650,709	623,844	8,994,286
	Sales Tax Collected	92,562	153,481	151,931	2,328,643	5,084,260