

Subject: NHV 2015 and taxes

Fellow Board Members, and interested parties;

We now have enough information from the Department of Revenue (DoR) to determine how we apply taxes to our train rides/events in 2015. The DoR is still muddling through the law, and the NC legislature will be meeting this year to provide further clarification; so beware of changes coming for 2016. Our situation was reviewed by Ed Strickland, supervisor of the DoR non-profits unit. Special thanks to John Morck who spent *countless hours* on the phone with DoR to get the following information; I have simply taken notes on his behalf.

For the majority of our rides, there are two important guidelines to determine if taxes need to be collected; admissions and entertainment.

IF the price is FOR admission or INCLUDES admission, tax must be collected. Historically we have not had events that fall into this category as admission has always been free. However, the current model being discussed for the Civil War Reenactment has the ticket price including train ride AND admission; therefore we'll need to collect tax.

If there is entertainment on the train, we need to collect tax. Entertainment on the GROUNDS is ok, as long as admission is free. Here is how this would look for the rest of our events, assuming they follow their 2014 model:

Regular Rides (incl. group/Friday): NO TAX. Ticket does not include admission; no entertainment on the train. We should be careful that Mack's announcements are INFORMATIONAL only and not entertainment. We should not play music.

Halloween: TAX. Although technically there is no entertainment on the train, you have to be on the train to see entertainment, so the tax applies.

Santa: TAX. Santa Claus is entertainment. So is Elf. Arguable which is more entertaining...

Brew 'n' Choo: NO TAX. There is no admission, no entertainment ON THE TRAIN. Entertainment on the grounds is ok, and the beer/wine/food vendors all have to manage their tax obligations separate from us. We can collect tax on vendor's behalf as a pass-through (like last year) as long as food/drink items are itemized separately from train tickets. HOWEVER; if there was a single ticket price that included food/drink, like how dinner trains are typically done, then we would need to collect tax.

National Train Day/Science Festival. NO TAX. There is no admission, no entertainment ON THE TRAIN.

Operate-a-Loco: NO TAX. There is no admission, no entertainment ON THE ENGINE (DoR said it was closer to punishment; they do have a sense of humor!).

Caboose Rentals: TAX. Due to the fact that the caboose is not real property. If we separated it from the rest of the consist, i.e. on a panel track, this would not be taxable.

Best regards,

Mike MacLean

NCRM Director