

October 2014 Franchise Fee Suspension Guidance Memo

Definition: Throughout this memo, "October 2014" refers specifically to the dates October 1, 2014 through October 31, 2014.

Franchise Fee Calculation Methods

National Park Service concession contracts provide for franchise fees to be paid to the government based on a variety of formulas and timeframes. Below are specific calculation methods for the franchise fee suspension for different types of franchise fees.

- **Monthly Percentage of Gross Receipts Fee:** Concessioners that pay a monthly franchise fee based on a percentage of gross receipts will not pay a franchise fee for October 2014.
- **Annual Percentage of Gross Receipts Fee:** Concessioners that pay an annual franchise fee based on a percentage of gross receipts will not pay a franchise fee on gross receipts earned in October 2014.
- **Annual Fixed Fee:** Concessioners that pay an annual fixed franchise fee will receive a 15% discount on their annual fee. For example, a concessioner that pays a \$500 annual fixed franchise fee would receive a \$75 discount.
- **Percentage of Gross Receipts Fee OR Annual Fixed Fee, whichever is Greater:** Concessioners that pay the greater of a franchise fee based on a percentage of gross receipts OR an annual fixed fee will not pay a franchise fee on gross receipts earned in October 2014 OR will receive a 15% annual fixed fee discount as defined above. Concessioners that will pay a franchise fee based on a percentage of gross receipts will not pay a franchise fee on gross receipts earned in October 2014. Concessioners that will pay a fixed fee in the 2014 fiscal year will receive the 15% fixed fee discount.
- **Percentage of Gross Receipts Fee AND Annual Fixed Fee:** Concessioners that pay a franchise fee based on a percentage of gross receipts AND an annual fixed fee will not pay a franchise fee on gross receipts earned in October 2014 AND will receive a 15% annual fixed fee discount as defined above.
- **Monthly Special Account Fee:** Concessioners that contribute a monthly fee to special accounts will not contribute in October 2014.

In all cases, concessioners must complete a Franchise Fee Suspension Worksheet that calculates the fee discount and must submit the worksheet for approval by park Superintendents. The Franchise Fee Suspension Worksheet accompanies the distribution of this memorandum. Concessioners must complete the worksheet, including information about October 2014 revenues, October 2014 gross receipts, the contract-defined franchise fee or special account fee, the type of discount applied (flat fee and/or annual percentage fee), and the total value of the discount claimed.

Concessioners must submit Franchise Fee Suspension Worksheets to park staff by November 10, 2014.

If a concessioner fails to submit the worksheet by this deadline, the concessioner will no longer be eligible for the franchise fee suspension and must pay applicable franchise fees and/or special account contributions for October 2014. Park staff will notify concessioners if the Franchise Fee Suspension Worksheet is not approved.

Building use fees and repair and maintenance reserve contributions are not eligible for the October 2014 franchise fee suspension.

Concessioners should contact park staff if their contractual franchise fee requirements aren't addressed by the above guidelines.

Annual Financial Reports

Concessioners must submit annual financial information in the form of an Annual Financial Report (AFR). Concessioners must account for the October 2014 franchise fee suspension on AFRs using the following guidelines.

Long-Form AFRs

Concessioners that submit the long-form AFR should account for the franchise fee suspension on Schedules B, F, N and P, as necessary and as described below.

Concessioners that pay a percentage of gross receipts fee shall record revenues earned during the October 2014 franchise fee suspension as an authorized deduction on Schedule B – “Computation of Government Fees” Line 19. Identify the authorized deduction as “October 2014 FF Suspension”. If a concessioner has other authorized deductions in addition to the franchise fee suspension, the description in Schedule B Line 19 must read “See Schedule F.” Schedule F – “Notes to the Financial Statements” must list the total revenues, other authorized deductions, and gross receipts recorded during the October 2014 franchise fee suspension.

Concessioners that pay a fixed fee shall record the actual fee paid on Schedule B - “Computation of Government Fees” Line 1, as normal. Identify the discount on the franchise fee on Schedule F – “Notes to the Financial Statements”.

Concessioners that contribute to special accounts must account for the franchise fee suspension on Schedule N – “Special Account Annual Reconciliation” Line 4 as an adjustment to Gross Receipts. In addition, Schedule F – “Notes to the Financial Statements” must list the total revenues, other authorized deductions, and gross receipts recorded during the October 2014 franchise fee suspension.

The October 2014 Franchise Fee Suspension does not affect the repair and maintenance reserve (RMR) that is required in some concession contracts. Schedule P of the long-form AFR automatically calculates the RMR based on Gross Receipts (Schedule A Line 1) and Authorized Deductions to Gross Receipts (Schedule B Line 20), so

concessioners must include an additional amount to account for October 2014 gross receipts subject to RMR calculation. To correctly calculate RMR, include the percentage as normal on Schedule P Line 4. In addition, Schedule P Line 6 must be the RMR percentage multiplied by the October 2014 gross receipts (Schedule B Line 19). The description for Line 6 should read "October 2014 Gross Receipts Subject to FF Suspension = \$XX".

Short-form AFRs

Concessioners that submit the short-form AFR must first fill out the appropriate Franchise Fee Suspension Worksheet described in this guidance memo to determine the October 2014 Franchise Fee value. Concessioners must enter the October 2014 Franchise Fee value as a negative value on Schedule B – "Income Statement" Line 39. The description in Line 39 must be "October 2014 FF Suspension", followed by the appropriate description of the calculation method used: "Percentage", "Flat", or "Flat and Percentage". If a concessioner already enters information in Line 39 in the normal course of completing an AFR, the concessioner must complete the AFR Short Form Fees Worksheet to show the franchise fee suspension value.