

DEPARTMENT OF TAXATION

2002 Fiscal Impact Statement

1. **Patron** Rerras

3. **Committee** House Counties, Cities and Towns

4. **Title** Hampton Roads Sports Facility Authority

2. **Bill Number** SB 580

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date of the 1997 amendments to the Hampton Roads Sports Facility Authority from January 1, 2002 to January 1, 2005. These amendments included the establishment of income tax and local option admission, food and beverage, and business, professional, and occupational license tax entitlements.

The bill would clarify that tax entitlements would be effective if a National Basketball Association (NBA) or National Hockey League (NHL) team moved into a temporary facility and that an NBA franchise would include a Woman's National Basketball Association (WNBA) team. The bill would increase the personal income tax entitlement from 3.5% to 3.9% of salaries generated by team players of the NBA, WNBA, or NHL franchise based at a facility.

This bill would be effective for taxable years beginning on or after January 1, 2002. This bill contains an emergency clause and would be effective on enactment.

6. **Fiscal Impact Estimates are:** Not Available. (See line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

The Department of Taxation would incur minimal administrative costs to administer this bill. However, should NBA, WNBA, or NHL franchise locate at a temporary or new facility in Virginia, the Department of Taxation would incur costs to identify, calculate, and report the personal income, corporate income, pass-through entity, and state sales and use tax entitlements for remittance by the State Comptroller to the Hampton Roads Sports Facility Authority.

The General Fund revenue impact of this bill is unknown because the compensation, sales, and profit generated by entities that would do business at a NBA, WNBA, or NHL franchise at a stadium located within Virginia are not known.

9. Specific agency or political subdivisions affected:

The Hampton Roads Sports Facility Authority
Any locality in which a NBA, WNBA, or NHL stadium is located
Department of Taxation
State Comptroller
Auditor of Public Accounts
State Treasurer

10. Technical amendment necessary: No.

11. Other comments:

Background

In 1996, the General Assembly created the Hampton Roads Sports Facility Authority (the Authority) to facilitate the attraction and operation of a NBA or NHL franchise. To assist in the financing of this purpose, the Authority was granted entitlement to state sales tax revenues generated by transactions occurring at a NBA or NHL stadium. At this same time, localities in which a stadium is located were given an option to elect to give designated local sales and use taxes to the Authority.

In 1997, the General Assembly enacted legislation to that granted the Authority entitlements to certain individual and corporate income tax revenues generated by activities that would occur at a NBA or NHL stadium. In addition, localities in which a stadium is located were given an option to elect to give designated admissions tax revenues, local food and beverage tax revenues, and business, professional, and occupational license (BPOL) tax revenues to the Authority. These legislative changes were made contingent on the Authority signing a lease with a NBA or NHL team on or before January 1, 2002.

Proposed Legislation

This bill would extend the applicability of the 1997 amendments by allowing the Authority until January 1, 2005, to enter into a lease with a NBA or NHL team.

The bill would also clarify that tax entitlements would be effective for a "temporary facility" occupied by a NBA, WNBA, or NHL team. A "temporary facility" would be defined as a facility or arena in which a sports franchise plays its games on a temporary basis during the development and construction of an arena.

In addition, the bill would increase the personal income tax entitlement from 3.5% to 3.9% of compensation generated by NBA, WNBA, or NHL players of the franchise based at a temporary on new facility. The entitlement for all other individual's compensation would remain at 3.5%. The amendments made by this bill would become effective only if the Authority enters into a lease with a NBA or NHL team for a temporary or new facility on or before January 1, 2005.

Other Legislation

House Bill 1072 is similar to this bill.

cc: Secretary of Finance

Date: 2/8/02/dtm

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