

DEPARTMENT OF TAXATION 2002 Fiscal Impact Statement

1. **Patron** Rerras

3. **Committee** Passed Senate and House

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

2. **Bill Number** SB 580

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **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 also 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. Also, the Authority would not be allowed to issue bonds prior to the approval by the NHL or NBA that either an NHL or NBA team will be located in the City of Norfolk on or before January 1, 2005.

The effective date of this bill is not specified.

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. 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%.

This bill also provides that the Authority would not be allowed to issue bonds prior to the approval by the NHL or NBA that either an NHL or NBA team will be located in the City of Norfolk on or before January 1, 2005.

Other Legislation

House Bill 1072 is identical to this bill.

cc: Secretary of Finance

Date: 3/21/02/CT

Document: S:\2002leg\WorkInProgress\OTPwork\Senate Bills\SB580ER161.doc