

# DEPARTMENT OF TAXATION

## 2003 Fiscal Impact Statement

1. **Patron** Rerras

3. **Committee** House Finance

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

2. **Bill Number** SB 1070

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

### 5. **Summary/Purpose:**

This bill would reenact the 1997 amendments (Chapter 554) to the Hampton Roads Sports Facility Authority (the "Authority") statutes that expired January 1, 2002. These amendments included:

- the clarification of the powers of the Authority with regard to overseeing the operation of a sports facility, real estate transactions, and employment;
- the exemption the Authority from the Virginia Public Procurement Act;
- clarification of bond issue requirements;
- authorization of the Auditor of Public Accounts to examine the accounts of the Authority; and
- the establishment of income tax, local option admission tax, food and beverage tax, and business, professional, and occupational license tax entitlements.

In addition, the bill would reenact 2002 amendments (Chapters 651 and 689) to the Authority that amended the expired 1997 amendments. These amendments included:

- a clarification that tax entitlements would be effective if a National Basketball Association (NBA) or National Hockey League (NHL) team moved into a temporary facility;
- a clarification that an NBA franchise would include a Woman's National Basketball Association (WNBA) team;
- an increase of 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;

The bill would require the Tax Commissioner to report the amount of the entitlements remitted to the Authority to the Senate Finance Committee, the House Finance Committee and the House Appropriations Committee annually before first of July.

The effective date of this bill is not specified. The provisions of this bill would expire if the Authority has not executed a lease with a NBA, WNBA, or NHL team by January 1, 2005.

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

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

**8. Fiscal implications:**

The Department would incur no administrative costs as a result of this bill. However, should NBA, WNBA, or NHL franchise locate at a temporary or new facility in Virginia, the Department 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 Authority.

Passage of this bill would have no impact on General Fund revenue. The provisions of this bill would only become effective if the Authority attracts an NBA, WNBA, or NHL franchise to locate in Hampton Roads. If this were to occur, there would be an unknown negative impact because the compensation, sales, and profit generating by businesses operating at a facility hosting NBA, WNBA, or NHL games is not known.

**9. Specific agency or political subdivisions affected:**

The Hampton Roads Sports Facility Authority  
Department of Taxation  
State Comptroller  
Auditor of Public Accounts  
State Treasurer

**10. Technical amendment necessary: None.**

**11. Other comments:**

**Background**

In 1996, the General Assembly created 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 that granted the Authority entitlements to certain individual and corporate income tax revenues generated by activities that would occur at a NBA or NHL facility. 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.

In 2002, the General Assembly enacted legislation to extend the sunset date of the 1997 amendments to the Authority from January 1, 2002 to January 1, 2005. Further, the legislation clarified that tax entitlements would be effective if a NBA or NHL team moved into a

temporary facility and that an NBA franchise would include a Woman's National Basketball Association (WNBA) team. The legislation also increased 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.

Due to a discrepancy in the language of the 2002 amendments, portions of the legislation were not codified. Chapters 651 and 689 of the 2002 *Acts of Assembly* (House Bill 1072 and Senate Bill 580, respectively) were not be fully printed in the *Code of Virginia* because the 1997 amendments had expired before these chapters became effective. The Code Commission determined that an emergency retroactive clause would have been required in order to prevent the sunset of the 1997 amendments on January 1, 2002.

### **Proposed Legislation**

This bill would restore the intent of Chapters 651 and 689 of the 2002 *Acts of Assembly*. The provisions of this bill would be effective contingent on the Authority signing a lease with a NBA or NHL team on or before January 1, 2005.

cc : Secretary of Finance

Date: 02/04/03 DTM

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