

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** H. Morgan Griffith

3. **Committee** House Finance

4. **Title** Retail Sales and use Tax: Entitlement to
Sales Tax Revenues from for the City of
Salem

2. **Bill Number** HB 1243

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the current entitlement to certain sales tax revenues to include a public facility located in a city with a population between 24,600 and 25,000 (City of Salem), which has issued municipal bonds on or after July 1, 2001, but before July 1, 2005, to pay the cost of such facility.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** Yes.

Item 279, Remittance of Sales Tax Revenues From Public Facilities.

8. **Fiscal implications:**

Administrative Costs

This bill would result in minimal administrative costs to the Department of Taxation.

Revenue Impact

The Department is unable to estimate the revenue impact of this bill as most sales made at public facilities are by private concessionaires and private businesses participating in special events. State revenues would not decrease under this bill. However, an increased appropriation would have to be made for Item 279 "Remittance of Sales Tax Revenues From Public Facilities." Accordingly, revenues available for other appropriations would be reduced. The current budget estimate for Item 279 is \$620,000 in fiscal year 2005 and \$620,000 in fiscal year 2006.

The sales tax revenues diverted to a municipality consist of only the 2% General Fund unrestricted portion of the sales tax and the 1% local option tax. The ½% portion dedicated to the Transportation Trust Fund and the 1% distributed to localities based on school-age population are not affected.

9. Specific agency or political subdivisions affected:

Department of Accounts
Department of Taxation
City of Salem

10. Technical amendment necessary: None.

11. Other comments:

Current Law

Virginia Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenues attributable to sales in new or substantially renovated public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities. Qualifying public facilities include an auditorium, coliseum, convention center, conference center, or hotel that is owned by a Virginia county, city, town, authority or other such public entity.

Sales tax revenues generated from all transactions taking place in the facility , including, but not limited to, concessionaire sales, vending machine sales, and merchandise sales, are transferred back to the municipality. Entitlement to these sales tax revenues continues for the lifetime of the bonds, but not to exceed 35 years, and all such revenues are required to be applied to the repayment of the bond. No remittance is made until construction of the facility is completed.

Legislative History

As originally enacted in 1992, this transfer mechanism applied only to one facility in the City of Roanoke. The 1998 General Assembly amended the population requirements to include the City of Portsmouth, and in 1999, the population requirements were again amended to include the City of Suffolk. The General Assembly in 2000 amended the population requirements to include the City of Hampton and in 2001 to include the City of Staunton. This bill would amend the population requirements to include a city with a population of at least 24,600 but no more than 25,000. The only city that meets the expanded population criteria is the City of Salem. Additionally, this bill would expand the qualifying municipal bonds criteria to include bonds issues on or after July 1, 2001, but before July 1, 2005.

Similar Legislation

House Bill 1208 and Senate Bill 398 entitle the City of Newport News to sales tax revenues generated at a public facility financed by municipal bonds.

cc : Secretary of Finance
Date: 1/26/2004/vhm