

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Terrie L. Suit

3. **Committee** Passed House and Senate

4. **Title** Virginia Baseball Stadium Authority -
Facilities For Major League Team

2. **Bill Number** HB 2455

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would restore the expanded revenue entitlements for the Virginia Baseball Stadium Authority (the "Authority") that expired on January 1, 2005. The bill would entitle the Authority, subject to appropriation, to certain income tax revenues resulting from activities performed at a baseball facility by individuals, corporations and pass-through entities. The bill would also expand the existing sales and use tax entitlement to include the tax on transactions resulting from development and construction of a baseball facility. The bill would also clarify the local sales and use tax and admissions tax entitlement, and permit the locality in which a baseball facility is located to levy an additional admissions tax surcharge entitlement and a tax on the admissions charged at any event at such facility. The bill would prohibit the Authority from issuing bonds if they would adversely affect the Commonwealth. The bill would also eliminate ability of the Authority to establish a facility for a minor league baseball team.

The provisions of this bill would expire on January 1, 2008.

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 General Fund revenue impact of this bill is unknown because the compensation, sales, and profit generating by businesses operating at a baseball facility is not known.

The Department would incur minimal costs to implement this bill. However, no costs would be incurred until development and construction on a baseball facility begins.

9. Specific agency or political subdivisions affected:

Department of Taxation
State Comptroller
Virginia Baseball Stadium Authority

10. Technical amendment necessary: None.

11. Other comments:

Background

The Virginia Baseball Stadium Authority was created in 1992 and endowed with certain local and sales and use tax entitlements in 1995 to support a new baseball facility for a major or minor league team. In 1997, a number of amendments were made to grant new and expand existing revenue entitlements to the Authority. The 1997 amendments were scheduled to expire on January 1, 2005, unless the Authority executed a lease with a major league team before then. Because no such lease has been executed, the 1997 amendments have expired.

Proposal

This bill would restore the 1997 amendments without imposing a sunset or contingency provision. The expanded revenue entitlements for the Authority would include:

1. Sales and use tax revenues generated in connection with the development and construction of a baseball facility.
2. Local sales and use tax and admissions tax revenues would be remitted to the Authority by the Treasurer of the locality where a baseball facility is located.

The new revenue entitlements for the Authority would include:

1. Personal income tax revenues equal to 3.9% baseball team players salaries and 3.5% of salaries, wages and other income from other individuals generated through employment or the conduct of a trade or business within a baseball stadium that would not be generated but for the existence of the facility and involved in the development and construction of a baseball stadium.
2. Pass-through entity tax revenues equal to 0.2% of gross receipts from a sole proprietorship, partnership, Subchapter S corporation, limited liability corporation, and any other form of pass-through entity generated within a baseball stadium, or in connection with activities conducted therein that would not be generated but for the existence of the baseball stadium, including revenues generated in connection with the development and construction of a facility.
3. Corporate income tax revenues equal to the apportioned amount of estimated income tax paid by any team or other corporation generating income from within a baseball stadium or in connection with activities conducted therein that would not be generated

but for the existence of the facility, including revenues generated in connection with the development and construction of a facility. The apportionment ratio would be the gross revenues from the corporation's activities at the baseball stadium divided by gross revenues from all activities in Virginia.

4. A local admissions surcharge, in addition to the admissions tax entitlement, not to exceed 2% of the amount charged for admission, on the sale of all tickets sold at the baseball stadium that would be used to reimburse the locality for actual day-of-event expenses incurred by the locality in connection with the operations of the baseball stadium. A locality would have to impose the admissions surcharge by local ordinance. In addition, the stadium would have to have a seating capacity of at least 40,000 seats in order for this surcharge to be utilized.
5. A local admissions tax not to exceed 10% of the admissions charged at any event in the major league baseball stadium. A locality would have to impose this admissions tax by local ordinance.
6. Business, professional and Occupational License (BPOL) tax revenue generated by the development, construction, or operation of a baseball stadium,

In addition, under this bill, the Authority would not be able to issue any bonds that create a direct or contingent financial obligation of the Commonwealth or create a debt of the Commonwealth supported by state revenues. The bonds would be required to state on their face that they did not pledge the full faith and credit of the Commonwealth or constitute a debt of the Commonwealth. Bondholders would have no recourse against the Commonwealth for the payment of principal, interest, or redemption premium, if any, on such bonds.

This bill would also eliminate the Authority's ability to establish a facility for a minor league baseball team. The Tax Commissioner would be required to prepare a report on the amount of the entitlements and present the report to the Chairman of the Senate Finance Committee, Chairman of the House Finance Committee, and the Chairman of the House Appropriations Committee, before July 1 of each year.

The provisions of this bill would expire on January 1, 2008.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/9/2005 AMS
HB2455FER161