

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** A. Donald McEachin

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Entitlement to
Sales Tax Revenue for Qualifying Baseball
Stadium

2. **Bill Number** SB 1021

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow state Retail Sales and Use tax revenues attributable to sales of tangible personal property in certain stadiums and sales related to the development and construction of the stadium to be transferred back to the locality in which the stadium is located to pay the costs of any bonds issued by the locality on or after July 1, 2009, but before July 1, 2012, to finance such facilities. Qualifying stadiums would include sports facilities owned by any Virginia county, city, town, authority, or other public entity that is designed for use primarily as a baseball stadium for a minor league professional baseball team whose construction begins after December 31, 2008. This bill would also expand the list of bonds eligible to be repaid from certain sales tax revenues for qualifying public facilities to those issued on or after July 1, 2009, but before July 1, 2012.

Under current law, certain state Retail Sales and Use Tax revenue attributable to sales in new or substantially renovated or expanded public facilities may be transferred back to the municipality in which the facility is located to pay the costs of the bonds issued to finance such facilities before July 1, 2007. Qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, or hotels owned by the Cities of Hampton, Newport News, Norfolk, Portsmouth, Roanoke, Salem, Staunton, or Suffolk.

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:**

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

The magnitude of the revenue loss associated with this bill is unknown as it is dependent on the construction of and bonding for stadiums for minor league professional baseball. To the extent that additional facilities and additional bonds qualify to be repaid from Retail Sales and Use Tax revenues, passage of this bill would require transfers of unrestricted General Fund revenue, Transportation Trust Fund revenue, and revenue currently distributed to localities based on school age population to the qualifying localities.

Currently, only the unrestricted General Fund portion of the sales tax revenues attributable to sales of tangible personal property is transferred back to repay bonds issued for public facilities. This bill would allow all sales tax revenues attributable to sales of tangible personal property related to the development and construction of the stadiums to be transferred back to repay bonds issued for minor league professional baseball stadiums. This may result in significant transfers of General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Va. Code § 58.1-608.3 (formerly the Public Facilities Act) allows certain sales tax revenue 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 before July 1, 2007. Qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, or hotels owned by a Virginia county, city, town or authority or other such public entity that are located in the Cities of Hampton, Newport News, Norfolk, Portsmouth, Roanoke, Salem, Staunton, or Suffolk.

The portion of the state Retail Sales and Use Tax revenue from such sales that may be transferred back to the locality is limited to the 2 ½ percent portion of the tax that is deposited into the General Fund and available for appropriation without restriction. The ½ percent state Retail Sales and Use Tax revenue that is paid to the Transportation Trust Fund and the 1 percent state Retail Sales and Use Tax revenue that is distributed to localities based on school age population are not transferred back to the municipality.

Sales tax revenues generated from all transactions taking place in the facility, including, but not limited to, concessionaires sales, vending machine sales, and merchandise sales, are transferred back to the municipality. Sales tax revenues related to the development and construction of the facility are not transferred back. 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 bonds. No remittance is made until construction of the facility is complete.

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, in 2001 to include the City of Staunton, in 2004 to include the City of Newport News and the City of Salem, and in 2006 to include the City of Norfolk.

Proposal

This bill would allow state Retail Sales and Use tax revenues attributable to sales of tangible personal property in certain stadiums and sales related to the development and construction of the stadium to be transferred back to the locality in which the stadium is located to pay the costs of any bonds issued by the locality on or after July 1, 2009, but before July 1, 2012, to finance such facilities. Qualifying stadiums would include sports facilities owned by any Virginia county, city, town, authority, or other public entity that is designed for use primarily as a baseball stadium for a minor league professional baseball team whose construction begins after December 31, 2008. This bill would also expand the list of bonds eligible to be repaid from certain sales tax revenues for qualifying public facilities to those issued on or after July 1, 2009, but before July 1, 2012.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1803 is identical to this bill.

House Bill 1691 would expand entitlement to certain sales tax revenues from public facilities to include the repayment of bonds issued on or after July 1, 2009, but before July 1, 2012. This bill would also expand the entitlement to certain sales tax revenues to include a public facility located in the City of Virginia Beach.

House Bill 2091 would expand entitlement to certain sales tax revenues from public facilities to include the repayment of bonds issued on or after July 1, 2009, but before July 1, 2012. This bill would also expand the entitlement to certain sales tax revenues to include bonds issued for increases in floor space of at least 10 percent in a qualifying public facility that was constructed after December 31, 1991.

House Bill 2264 would expand entitlement to certain sales tax revenues from public facilities to include the repayment of bonds issued on or after July 1, 2009, but before July 1, 2012. This bill would also expand the entitlement to certain sales tax revenues to include bonds issued for future renovations and expansions of public facilities.

House Bill 2411 would expand the entitlement to certain sales tax revenues to include a public facility located in the City of Virginia Beach.

Senate Bill 868 would expand entitlement to certain sales tax revenues from public facilities to include the repayment of bonds issued on or after July 1, 2009, but before July 1, 2011. This bill would also expand the meaning of “substantial and significant expansion” to include an increase in floor space of at least 10 percent in a public facility that qualified as such under this section and was constructed after December 31, 1991.

cc : Secretary of Finance

Date: 1/16/2009 AM
DLAS File Name: SB1021F161