

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** A. Donald McEachin

2. **Bill Number** SB 1021

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add the City of Richmond to the list of municipalities eligible to receive certain sales tax revenues generated by qualifying public facilities in their jurisdiction to repay bonds issued to pay the costs of such facilities. The bill would expand qualifying public facilities to include sports facilities and structures attached thereto that are designed for use primarily as baseball stadiums for minor league professional baseball affiliated teams. This bill would also expand the list of bonds eligible to be repaid from Retail Sales and Use Tax revenues generated by public facilities to include the repayment of bonds 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:** Yes.
Item 264, Financial Assistance to Localities

8. **Fiscal implications:**

Administrative Costs

TAX would not incur any costs in the implementation of this bill.

Revenue Impact

The magnitude of the revenue loss associated with this bill is unknown. To the extent that additional bonds qualify to be repaid from Retail Sales and Use Tax revenues generated by additional qualifying public facilities, passage of this bill would require a transfer of additional unrestricted General Fund state Retail Sales and Use Tax revenue to qualifying localities.

9. Specific agency or political subdivisions affected:

Department of Accounts

Department of Taxation

Cities of Hampton, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, and Suffolk

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 add the City of Richmond to the list of municipalities eligible to receive certain sales tax revenues generated by qualifying public facilities in their jurisdiction to repay bonds issued to pay the costs of such facilities. The bill would expand qualifying public facilities to include sports facilities and structures attached thereto that are designed for use primarily as baseball stadiums for minor league professional baseball affiliated teams. This bill would also expand the list of bonds eligible to be repaid from Retail Sales and Use Tax revenues generated by public facilities to include the repayment of bonds 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. This would allow for the expansion of the Hotel Roanoke Conference Center to be financed using bonds to be repaid with Retail Sales and Use Tax revenues generated by the Conference Center.

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. This would allow for the expansion of the Hotel Roanoke Conference Center to be financed using bonds to be repaid with Retail Sales and Use Tax revenues generated by the Conference Center.

cc : Secretary of Finance

Date: 2/10/2009 AM
DLAS File Name SB1021FE161