DEPARTMENT OF TAXATION
2011 Fiscal Impact Statement

1. **Patron** Ronald A. Villanueva

2. **Bill Number** HB 2419
House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
__X__ **Enrolled**

3. **Committee** Passed by House and Senate

4. **Title** Retail Sales and Use Tax; Entitlement to Sales Tax Revenue

5. **Summary/Purpose:**

This bill would expand the types of qualifying public facilities for which designated municipalities may issue bonds that are eligible to be repaid from certain Retail Sales and Use Tax revenues generated by such facilities. The types of facilities would be expanded to include any hotel that is adjacent to a convention center owned by a public entity, where the hotel owner enters into a public-private partnership whereby the locality contributes infrastructure, real property, or conference space. The bill would also extend the time period for which bonds that are eligible to be repaid could be issued to on or after January 1, 2011, but before July 1, 2015.

Under current law, any municipality which has issued bonds during a specified time period to pay the cost of any public facility is entitled to a portion of the sales tax revenues generated by transactions taking place in the public facility.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.
Page 1, Revenue Estimates

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

8. **Fiscal implications:**

Administrative Costs Impact

TAX would incur no administrative costs in implementing this bill.

Revenue Impact

The revenue loss associated with this bill is unknown. There are 11 facilities that qualify as "public facilities." Collectively, they retained approximately $516,000 in Fiscal Year 2008, $342,000 in Fiscal Year 2009, and $441,000 in Fiscal Year 2010.

This proposal would likely expand the number of localities that would qualify to retain sales tax revenues from qualifying public facilities, which would reduce the state's general fund. Because the number of facilities that would qualify for this entitlement and the amount of sales tax revenue generated by them is unavailable, the revenue impact is unknown.

The sales tax revenues diverted to a municipality consists of the 2 ½% 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
TAX
Cities of Hampton, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, and Virginia Beach

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Va. Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities. Qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities located in the Cities of Hampton, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton or Suffolk.

Under current law, a substantial and significant expansion to a public facility entails an increase in floor space of at least 50 percent over that existing in the preexisting facility or an increase in floor space of at least 10 percent over that existing in a currently qualifying public facility.

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. Entitlement to these sales tax revenues continues for the lifetime of the bonds, but not beyond 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, in 2006 to include the City of Norfolk, and in 2009 to include the City of Richmond and the City of Virginia Beach.

The definition for public facility was expanded in 1998 to include hotels which are attached to and are an integral part of the public facility, in 2006 to exclude residential condominiums, townhomes, or other residential units, and in 2009 to include sports facilities designed for use primarily as a baseball stadium for a minor league professional baseball affiliated team.

Proposal

This bill would expand the types of qualifying public facilities for which designated municipalities may issue bonds that are eligible to be repaid from certain Retail Sales and Use Tax revenues generated by such facilities. The definition would be expanded to include any hotel that is adjacent to a convention center owned by a public entity, where the hotel owner enters into a public-private partnership whereby the locality contributes infrastructure, real property, or conference space. The bill would also extend the time period for which bonds that are eligible to be repaid could be issued to on or after January 1, 2011, but before July 1, 2015. TAX understands that the bill is intended to allow the City of Virginia Beach flexibility to qualify for the public facilities designation, which it originally obtained under 2009 legislation.

The effective date of this bill is not specified.

Similar Bills

House Bill 2285 and **Senate Bill 1193** (Identical) would authorize localities that have established a tourism zone and adopted a tourism plan to direct at least 1% of the local sales tax revenues and 1% of the state sales tax revenues generated on the premises of the project to outstanding debt used to construct and equip the project.

cc : Secretary of Finance

Date: 2/18/2011 KP
DLAS File Name: HB 2419FER161