

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 1790

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Public Facilities; Virginia Beach Sports and
Entertainment Project

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would authorize the City of Virginia Beach ("the City") to issue bonds to facilitate the development of a sports or entertainment project ("the project") in its designated "sports and entertainment district" upon the execution of a binding development agreement for such a sports or entertainment project.

The City would be entitled to receive a portion of state sales and use tax revenue that is generated as a result of the project, including revenue generated from development and construction. The City would use such sales tax revenue to repay the costs of the bonds. The provisions of the entitlement to sales and use tax revenue would expire on July 1, 2039. The tax entitlement does not include the tax revenue generated by the one-half percent sales and use tax dedicated to the Transportation Trust Fund; the one percent of the state sales and use tax revenue distributed among the counties and cities on the basis of school-age population; and the additional sales and use tax for transportation in Northern Virginia and Tidewater.

This bill would also require the Tax Commissioner to report to the Chairmen of the Senate Committee on Finance, the House Committee on Finance, and the House Committee on Appropriations, annually prior to July 1, the amount of the entitlement.

This bill would be effective July 1, 2019.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding. This bill could result in unknown administrative costs to Virginia Beach.

Revenue Impact

The proposed legislation will result in an unknown General Fund loss for the Commonwealth and an unknown revenue gain for the City. The specific nature of the proposed sports or entertainment project is not known at this time. Due to the lack of information on the project, an estimate cannot be provided.

9. Specific agency or political subdivisions affected:

Department of Taxation
City of Virginia Beach

10. Technical amendment necessary: No

11. Other comments:

Background

Virginia 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 Fredericksburg, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, Winchester, or Town of Wise. Certain public facilities in the City of Bristol also qualify.

Legislation enacted in 2013 granted the City of Virginia Beach expanded authority to receive state sales and use tax revenues generated as a result of the construction or operation of a facility intended to serve as an arena for an NHL or NBA team or for the purpose of holding conferences and entertainment events. The entitlement, bond authority, and all other authority granted pursuant to the 2013 legislation expired on January 1, 2018 because the City had not executed a lease with an NHL or NBA team, or issue bonds for an arena to hold conferences and entertainment events.

Proposal

This bill would authorize the City of Virginia Beach ("the City") to issue bonds to facilitate the development of a sports or entertainment project ("the project") in the designated "sports and entertainment district," upon the execution of a binding development agreement for such a sports or entertainment project.

The City would be entitled to receive a portion of state sales and use tax revenue that is generated as a result of the project, including revenue generated from development and construction. The City would use such sales tax revenue to repay the costs of the bonds. The provisions of the entitlement to sales and use tax revenue would expire on July 1,

2039. The tax entitlement does not include the tax revenue generated by the one-half percent sales and use tax dedicated to the Transportation Trust Fund; the one percent of the state sales and use tax revenue distributed among the counties and cities on the basis of school-age population; and the additional sales and use tax for transportation in Northern Virginia and Tidewater.

This bill would also require the Tax Commissioner to report to the Chairmen of the Senate Committee on Finance, the House Committee on Finance, and the House Committee on Appropriations, annually prior to July 1, the amount of the entitlement.

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cc : Secretary of Finance

Date: 3/7/2019 SK
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